

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Why Don't They Raise Cotton?

By J. A. ORMOND

Cashier Citizens State Bank, Marianna, Fla.

That Was the Query When Financial Aid Was Sought for the Relief of the Peanut Industry Which Sprang Up in the Wake of the Boll-Weevil. Growers, Mill Men and Banks, After Weathering the Storm, Now Are Optimistic. Development of a New Industry

"Washington, D. C., November 6, 1922
"The War Finance Corporation to day announced that it has tentatively approved the application of the Peanut Growers Exchange, Suffolk, Virginia, for an advance of not to exceed \$1,000,000 for the purpose of financing the orderly marketing of peanuts."

IN this brief statement the War Finance Corporation gave the first intimation of recognition of the financial importance of an industry the mere existence of which is almost unknown to many.

Known under many aliases of which ground peas, peanuts, goobers and pinders are the most common, the lowly legume has been the synonym for everything cheap or small and has thereby carried a stigma altogether undeserved.

Formerly Virginia had a practical monopoly in the production of peanuts, and as an indication of the profit enjoyed it is said that the bank with the greatest proportion of surplus and profits to capital in the United States is a small country bank in the Old Dominion whose deposits come from and whose profits are made in dealing with peanut producers and dealers.

In the remainder of the solid South cotton was king, and his willing subjects loyally looked to

the fleecy staple as their sole source of money.

Like every other class, farmers have to learn from bitter personal experience what they should learn from the experience of others. Hence, when the Mexican boll-weevil crossed the Rio Grande and proceeded to infest the Texas fields, the cotton growers in the states to the east proceeded to plant more cotton to make up the deficit in the production of the staple in the state that had been furnishing almost half of the annual crop.

Year after year as the remorseless little destroyer traveled eastward at the rate of 100 miles or more per year and each succeeding year an additional strip of the cotton belt was laid waste, the farmers in the territory not yet infested enjoyed more and more fully their brief monopoly in the market and the consequent substantial increase in price. And not until their fields were finally swept bare of bolls did they in any instance admit that it was possible for the weevil to reach them. Mayhap the fate of their neighbors to the westward was the visitation of a righteous judgment. Anyway, some kind providence would prevent the plague from falling upon them at the last minute.

As zone after zone succumbed to the ruin the boll-weevil brought, and after a year or two of experimentation and consequent semi-starvation, it was found that the enforced diversification of crops had all but solved the problem of farm operation, each belt in turn rejoiced in the delivery from the tyranny of King Cotton and began life anew with stronger hope and a lifted horizon. One Alabama town, wishing to give credit to whom credit was due, erected a monument to the boll-weevil and dedicated it with appropriate ceremonies amid general rejoicing.

Among the new crops tried as a substitute for cotton was the peanut. In many parts of the South it had long been used to plant in the corn middles for hog feed. With the corn harvested, the pigs gather the nuts without cost to the farmer and quickly convert them into pork for early market and ham and bacon and lard for home consumption.

But although recognized as a valuable feed it had only a limited market for oil and confections. It remained for a negro scientist, Prof. George W. Carver of Tuskegee Institute, associate of Booker T. Washington, to prove practical



THE PEANUT PLANTATION

Brown Bros.

of production for commercial purposes and to place on exhibition over one hundred different products of the plebeian peanut.

With the growing demand for the product the industry rapidly rose to first importance in many sections of the South, involving the necessary erection of warehouses, oil mills, shelling plants and all the other essentials of a new industry. Buying and marketing methods also were put into practice and the machinery of production and distribution began to move.

Hang Over From Cotton

As a hang-over from the cotton era, the credit system was inherited by the new industry. The farmer must have fertilizer and supplies with which to produce his crop. The mills provided these necessities upon contract for the delivery of a specified number of tons of peanuts at an agreed price. Thus the contract system sprang up.

Just at this juncture came the war with its consequent aftermath of crazy inflation and cruel deflation of currency and credit and commodity prices. The year 1919 saw peanuts soar to \$250 per ton, and the newly established mills reaped a rich harvest of profit from the fulfillment of contracts made earlier in the year. The farmer got all he had asked and was happy, and the contractor got more than he had expected and was happier still.

And thereby hangs the moral of

this tale, for with only the rare exception to prove the rule, the farmer filled his contract without shirking and the miller filled his contract with his factor or with his neighbor miller to whom he had subcontracted, seeing another become passing rich upon a deal out of which he made only a modest profit, with a good cheer almost unbelievable.

One instance will suffice to illustrate the point and show the code of honor that obtained: One miller sold to another miller his entire holdings, the deal being consummated over the telephone and no earnest money being required or paid. Before the peanuts were moved the price advanced so far that the seller called up the buyer and re-purchased the stock which still remained in his warehouse by the simple expedient of paying thirty thousand dollars for the cancellation of the first purchase. And everybody was happy.

Beginning of 1920

At the beginning of the crop planting season of 1920 the millers again contracted with their farmer customers at prices based upon the reasonable expectations of supply and demand. But in that year all laws of supply and demand as well as almost everything else went to smash. And when the time came to deliver the crop of peanuts in the fall the contract price was from double to several times as great as the market price, for be it remem-

bered that within the space of a few months the price fell from \$250 per ton to \$30 per ton.

The result is easy to see. With just enough exceptions to prove the rule again, every mill and shelling plant in the whole South lost its entire capital before the marketing season was well opened. Did they do the obviously necessary thing of either repudiating their contracts or taking bankruptcy? They did neither.

Paid in Acceptances

Again with just enough exceptions to prove the rule they faced the situation, worked off the commodity to the best possible advantage, and paid the farmers in acceptances which by any possible analysis were worth only a few cents on the dollar. These acceptances the farmers took to their banks in settlement for their crop loans and these the banks held until they matured and then took the notes of the defunct mills in renewal thereof, thus creating a new currency as valueless as the mark from the standpoint of collectability at maturity, but worth one hundred cents on the dollar in determination of the maker to ultimately pay.

Bad banking? Certainly. But there was only one alternative, and this alternative scores of the best banks in the South took because their city correspondents and the several governmental financial agencies said they were too much

over-extended to be entitled to the necessary credit to enable them to function.

Peanuts in Politics

Added to the instability of the market, owing to the newness of the industry, is the problem of the influx of the Chinese peanuts, which in pre-tariff days guaranteed to the Southern peanut producer a financial and social status on a par with that of the coolie, wherefore he occupied the anomalous position of voting Democratic from prejudice and praying Republican from principle. And now that his vote was lost and his prayer was answered he knows that if he produces too many nuts he will break the market himself while if he produces too few the consequent price will attract the foreign product which will break it for him.

Banking Difficulty

The planting season begins in April and the harvesting season in August, but it requires until the next June to market the commodity, thus taking fourteen months to make and sell a crop of peanuts. The banks that lend the farmer in the spring upon perfectly eligible agricultural paper must take their pay in the fall in ineligible acceptances of the mills, because few of the mills can comply with the bonded warehouse provisions necessary to render their paper eligible; and then, the volume of paper that has to be carried by the local banks loyal enough to see the thing through, soon runs beyond the

limits of their small capitalization and renders it all ineligible again. The reason for this long marketing season is found in the physical inability of the mills to crush or shell their holdings short of a period of from three to eight months varying with the size of the crop and their own capacity. And even if, as with cotton, the crop could be placed upon the market within thirty days it would be impossible for the trade to absorb the accumulated offering and the price would thereby be wrecked.

Speculative Basis

Thus the entire process rests upon a basis so highly speculative that it is small wonder that banks, not obliged to do so for the preservation of their customers and themselves, are inclined to offer but little assistance except in the way of criticism which is, as usual, based upon a misunderstanding of the problem. A case in point will illustrate: A country banker went to his city correspondent and carefully detailed the situation, seeking aid, advice or counsel. The great banker's answer was: "Why don't your customers raise cotton as they used to do? We all know how to handle cotton." An inquiry which, in view of the presence of the boll-weevil, was fully as brilliant as that of the good French queen who, when told that her subjects had no bread, naively asked: "Why don't they eat cake?"

Most Banks Survived

But even with the absence of outside assistance to any substan-

tial extent, most of the banks in the peanut territory survived and still survive, though not one in ten would have thought it possible if foreseen or can satisfactorily explain how it was done now that the apparently impossible has been accomplished. For let it not be forgotten that the year 1921 brought no relief, every farmer and most of the mills having that year operated at a loss. And only now after twenty-four months of holding together with no visible ties to prevent the entire structure from crumbling, with the mills and the farmers hopelessly bankrupt and the country in chaos, for the first time in three years it begin to look as if the farmers will sell their crops without loss, the mills operate with a margin of profit, and the banks collect a fair amount of paper which from any recognized banking standpoint was worse than worthless.

Saving the Crops

Campaigns are being organized in communities throughout the Southwest, in which State Boards of Agriculture, Agricultural Colleges, grain dealers and elevator men, county farm agents, bankers, business men, Chambers of Commerce and other community organizations, are cooperating with the farmers for the destruction of the Hessian fly, chinch bug, boll weevil and other insect pests. The enormous damage wrought by these enemies this year, aggregating many millions of dollars, has aroused these interests to the necessity of prompt action to avert further losses next year, and the most practical methods devised by the Agricultural College Entomologists are being employed, says the Monthly Review of the Federal Reserve Bank of Kansas City.



Brown Bros.

Telling the Bank Customer Why

By CHARLES MOREAU HARGER

Customer Criticism Is Due to Lack of Understanding. The People Rarely Appreciate the Difficulties With Which Some Bankers Must Contend in Giving Credit and in Maintaining Safe Reserves. One Method by Which an Indignant Debtor Became Sympathetic

“WE are certainly meeting with the most unsatisfactory business methods—if they call it business—from our local banks I have ever seen, not only myself, but all my farmer friends. What has gotten wrong with our banks to try to make the farmer pay up all his indebtedness at the same time?”

This is from a letter written by a western farmer who has done business with country banks for thirty-five years. He possesses a productive farm and has generally prospered, yet now feels the pinch of limited ready cash with which to meet his obligations. He owes on his motor car and for new implements; a moderate mortgage rests on his land. In carrying on his business for a third of a century he has almost daily had dealings with the bank—yet today he is apparently unfamiliar with banking conditions and looks upon the banker as in some way imposing on him.

The attitude here shown has been common during the past year and is likely to remain for some time to come—until the period of readjustment ends. Its existence makes it more difficult for the bank to secure liquidation and creates an antagonism entirely unfavorable to bank operation. It is much more prevalent than generally is recognized.

Banks Making Too Much

Out at a public sale a few weeks ago several men were standing aside talking over farm conditions. They had exhausted the topics of crops, rain prospects and similar matters and took up finance.

“The banks are making too much off of us,” said one. “They have shut down on our loans and are trying to collect what they have loaned out—what are they doing with their money? Probably they are buying bonds and things like

that and letting us suffer. That isn’t right.”

“But the banks have to get their money back when it is due,” put in a neighbor. “How would you do business, if you were a banker, without doing that?”

“Oh, of course, we’ll pay, but what’s the hurry? We need all the money we can get to live and debts will have to wait awhile.”

Debts Have Waited

Debts have “waited awhile” in too many instances. Country banks have suspended while waiting. It was not only the waiting. One ex-banker tells what happened:

“I have tried every way to collect enough to pay the call for deposits, but was met by excuses and promises. Then one day when we had but \$11,000 in cash, one wealthy farmer came in and pushed across the counter his certificate of deposit for \$14,500. I explained that it would help if he would be patient a few days, but, no, sir, he wanted the cash right then and there. I refused to pay him at that time and he went ‘storming out,’ threatening what he would do. I followed him, locked the door and pasted to the glass window a sign ‘This bank is closed,’ and I was through.”

A national bank examiner tells of going into a bank out in the plains country. He found but a little over \$10,000 in available cash. “What would you do if somebody brought in a check for \$11,000?” he was asked. “Couldn’t do it,” was the reply. “Nobody has that much on deposit.” “But supposing two or three came in with a total of that much money?” “Well,” with a laugh, “I’d jolly somebody out of the notion.” Evidently he did just that for the bank is still in operation, having been allowed to try to work out its salvation.

These experiences are far from

pleasant to the banker—sleepless nights do not conduce to good health. Behind them is the story of the farmer’s depression, owing to the ill-related price-levels of commodities the producer must buy and of the output of his land. But without going into this well-recognized situation, let us consider the banker’s remedy for the very evident resentment felt by many of his customers who, like the letter-writer, believe the banks are “most unsatisfactory” in their methods.

Truth Convinces

“Nothing,” once said a distinguished political manager, “is so convincing as the plain, unvarnished truth—if you can make folks believe it.” Much the same doctrine applies to finance. It is especially pertinent to a country bank’s clientele. The average producer has been all his life more or less under obligations to his banker—that is, he has been borrowing money, receiving notices of notes due and overdrafts accrued. He has a subconscious attitude of what the psychologists call “inferiority complex” in his relations to the imposing institution on the best corner in town. Speaking generally, he has little realization of the problems that are to be solved behind the counter and in the directors’ room. His conception of the bank is direct and personal.

The successful banker is he who can most fully remove this idea and substitute for it one of understanding and cooperation. This is especially to be desired in these days, when bankers are trying to liquidate some of their obligations and at the same time hold the confidence and patronage of their customers. Looking over scores of advertisements of country banks published in the local papers of the communities where the banks operate, I have yet to find one taking the public into

confidence as to the need for making such collections. Probably the banker figures that such publicity would be taken as a confession of weakness—and it might have that result. But it has never been tried. One cannot always tell just how the public will take a given method of procedure. A banker who tried it out was discussing his success.

"Abner Harshman had been owing us for over three years," he explained. "We had renewed his note time after time, occasionally with a slight reduction, but oftener with a slight increase, enough to take care of interest due. Finally I wrote him a sharp letter and told him to come in. He did, and he was in a rather belligerent mood.

"What are you hounding me to pay for," he demanded. 'Isn't my name good for the twelve hundred dollars I owe you?'

"I admitted it was—and then I determined to try an experiment.

"Come back of the counter," I said. He followed me, a little embarrassed at the unaccustomed procedure because the average customer thinks there is something mysterious in being back of a bank counter.

"I took down the daily statement record.

"Here is the condition of our business," I began. "You could get it in the daily statements, but this will be clearer to you. Look back to this date last year. We had deposits of \$235,664. We had loaned most of it on notes of yours and others of this community. We had about \$48,000 in cash or its equivalent. Yesterday we had deposits of \$146,876—our depositors have drawn out \$88,788, and

we had to pay them or quit business. How do you think we got the money to meet this reduction in deposits to pay the checks in cash?"

"Well, I suppose," he hesitatingly admitted, 'I suppose you collected' some of the notes. That is exactly it and that is why we are asking you and others to pay part or all of your debts to us—so that we can pay our depositors if they continue to need money to carry through until times get better for the farming country. If we don't pay them we quit.' He thought it over a little.

"Say, would it help some if I paid half that note now?" was his remark.

"I had made one convert and I felt that the experiment had worked.

As I said before, to the average man and woman banking is more or less mysterious and the banking

house is entered with some awe. It is the seat of the mighty, the abode of Finance. Perhaps there are bankers who think it is wise to maintain this aloofness, who believe that there is advantage in not having too much known about the methods by which the depositors' money is handled and the demands made on the bank for accommodations. They feel that the public is sensitive to rumor and responsive to the influence of customers. Unquestionably it does help to have customers talking favorably of the institutions.

"Why on earth did you make a loan of \$15 to Jack Fear?" I asked a banker. "Jack isn't worth 15 cents."

"Jack will pay the note," came the calm reply. "He always pays—sometime. Besides, Jack will go up and down the street telling what a good bank this is. I could loan you \$15,000 and you wouldn't mention

it to any one—Jack will talk about it all day long. It is worth \$15 in advertising, even if he does not pay."

This was a new idea—and maybe the banker was right. The same philosophy ought to operate in the same instance of the man who knows exactly why it is necessary for the bank to refuse loans and to demand that liquidation be practiced as rapidly as possible. It is not always easy to select the right person for the explanation, such as was given to the man taken behind the counter, but every banker knows certain customers who need convincing. Even if they are not able so promptly to offer to "pay half the note," they will take home to their neighbors a new idea of banking.



Changing His Attitude

Formula for Solving Debt Problem

By GEORGE G. ALLEN

President Garland Steamship Corporation, Vice President British-American Tobacco Co.

HUMAN welfare demands that there be no great delay in discovering and putting into effect some workable plan to solve this international question. I do, however, believe that negotiations should be opened to the end that an arrangement may be made which will restore good will among the nations, relieve the credit situation and thus open once again the avenues of commerce.

The suggestion which I offer is made with the hope that it may be a foundation upon which we can work out a settlement for the mutual benefit of all parties concerned.

I offer the following as a basis for discussion: To illustrate the idea I have in mind,—take the case of England's debt to us; we should say to England, "You owe us between four and five billions of dollars. We know that you recognize this debt, but we believe that under the circumstances in which the major portion of it was contracted, it is only fair that we should share a part of the burden with you. If you will agree to pay to us in London annually an amount equal to a certain percentage of your annual revenue from all sources, but not less than a specific amount, say \$100,000,000, we will agree to do the following things:

- (1) Apply your payments upon the principal of your debt.
- (2) Use the entire sum so received in the purchase of securities in British enterprises, not to exceed a limited percentage in any particular enterprise. We will not purchase your government bonds.
- (3) Organize an American holding corporation for the purpose of holding securities so purchased and issue and sell the stock of such holding corporation to the public.
- (4) Cancel all past and future interest charges on your debt."

By this process the British

Government would be relieved of the necessity of sending any large sums of money out of the country in payment of her debt to us. We would, eventually, get back the principal of the debt but without interest. This loss of interest, however, would be compensated for in a measure commensurate with the prosperity of the British enterprises in which the American corporation had invested the proceeds of the payments from the British Government.

We might even go so far as to say that we would be willing to invest a percentage of these receipts in new developments of a public nature where 90 per cent of the capital for such new developments were raised in England.

England could work out a similar scheme with France; France with Italy and so on.

In the case of Germany, the nations entitled to reparations under the Versailles Treaty, should say to her: "You make payments in gold for 25 per cent. of your indebtedness, the remaining 75 per cent. shall be paid to us in the manner hereinabove set forth, to be reinvested in German enterprises."

If such a scheme as herein outlined should be adopted, I would suggest that the members of the Federal Reserve Board should have sole discretion in the purchase, be the custodians of the securities purchased in the various foreign countries and that the members of said Board be the officers and directors of the American holding company. This step would reduce the political control of the holding company to a minimum.

Prices On Exportable Crops

Never forget this. American price of every crop we export is not fixed here by American conditions. It is fixed by world conditions. Why? We must sell our surplus abroad in world competition, at a price fixed by world supply and demand, and regulated by world conditions. Since it is economic law that the price of the surplus is the price of the crop, world price fixes

domestic price. A tariff of \$10 per bushel on wheat would not make one cent's difference. Chicago price is now, and always has been, Liverpool price less cost of transportation. The farmer buys in a tariff protected market regulated by American conditions; he sells in a free trade market which is regulated by world conditions.—GEORGE N. PEEK.

Business Changes

J. Perry Reynolds for two years Deputy State Bank Commissioner for the State of Colorado has been elected assistant cashier of the Mercantile Bank and Trust Company of Boulder, Colorado, succeeding Gordon C. Kerr; W. L. Armstrong is president and R. W. Joslyn, formerly Deputy State Bank Commissioner, is cashier of this bank.

Mr. C. G. Cockburn has been elected cashier of the Rucker Bank, Lake Stevens, Wash.

The First National Company, affiliated with the First National Bank in St.

Louis, announces that H. H. Kelso has joined the staff of its Mortgage Loan Department. Mr. Kelso has been associated for many years with architects and contractors, in St. Louis and the Middle West, in the supervision of large construction enterprises, and has gained an intimate knowledge of the practical problems entering into the erection of new buildings. He will approve all plans and specifications and supervise the construction of all new buildings which the company finances and will join in the appraisal of old buildings. Mr. Kelso's services will also be available in an advisory capacity, without charge, to all owners, architects and contractors desiring assistance in the planning and financing of new building enterprises.

English and American Banking in Contrast

By W. F. CRICK
University of London

Never Any Serious Demand in Great Britain for Supervision of Financial Institutions by Public Authority. English Public Is Apathetic As to Examination and Publicity. "Lombard Street" Would Never Submit to An Invasion. Limited Note Circulation

IN the course of a recent article, the editor of a well-known British business magazine wrote as follows: "British business men are, on the whole, loath to discuss their business policies, except in general terms; they are perhaps afraid of giving something away to a possible rival. American business men feel no such inhibition * * * Is the explanation of this singular fact merely a difference of temperament, or is it attributable to the difference between English and American business conditions?"

Narrowing the problem down to the area of finance, the conclusion is unavoidable that this very clear-cut distinction between the personnel of American and British banking is fortuitous, rather than temperamental; the result of legal circumstance, rather than economic environment.

When the "Peel Act," of 1844, re-chartering the Bank of England, was enacted, its operation, in conjunction with the Act of 1833, tended to centralize the function of note issue in the Bank of England. Joint stock banks were early prohibited from issuing notes and the London private banks have been driven off the field

of activity by the competition of the Bank. An act of 1826, however, had permitted joint stock banks having no office within 65 miles of London to issue notes, but that of 1833 largely counteracted this, by expressly legalizing the establishment of joint stock banks in London, provided they did not issue notes. The result was that any country bank amalgamating with a bank having an office within a 65-mile radius of London, or opening a branch in that area, by that very

act relinquished its powers of issue.

The Act of 1844 reinforced the earlier law, by prohibiting any issues by banks not then issuing their own notes, while if any issuing bank for any reason ceased to issue it could not resume the practice. Furthermore, banks already issuing were not permitted to increase their issues above their then amounts.

With the progress of amalgamation which has been a characteristic of British banking history for many years past, the private note issues soon began to peter out, and by the end of the century were quite unimportant. The last private issue lapsed in the usual way in 1921.

Contrast this with the situation in America. It was not until 1865 that the suppression of the State bank issues was definitely aimed at. The national banks, despite the Reserve Banks, hold to their privilege, and issue as large a quantity of currency as before the Reserve Act went into operation. In other words, all through American banking history, the provision of currency has been a paramount function of the individual banks of the country, recognized both by custom and by law.



No Serious Demand for Supervision

Contact of the Note

There is no closer contact between the general public and the banks than that provided by note issues. The numerous local suspensions and nation-wide panics on the record of American, as well as of all other, banking mechanisms, particularly in its earlier stages, (only since 1913 can the American system be said to have reached maturity), impress upon the people the conception that banking, or, what means the same thing in their limited view, note-issuing, is an operation so nearly touching their interests that its performance by private agencies should at least be subject to some sort of public supervision.

Out of this close community of interest grew the systems of bank examination which now operate in every state and under the authority of the Federal Government. In England, on the contrary, the bank came to be a sanctum, into which—like the local conservative club—only members of the highest strata of society were permitted to enter. The minimum denomination of the notes of any bank had been fixed ever since 1826 at £5. Consequently, the ordinary wage-earner never handled a bank note, except it be as agent for a wealthy principal.

Not Close to the People

Banks, then, were never looked upon as touching closely upon the interests of the great majority of the people. The consequence was that there was never any serious demand for supervision of the operations of banks by a public authority. An incidental consequence was that the people were so unsophisticated in banking matters that it was easy to impose upon them with fabulous get-rich-quick schemes. The recent past is not devoid of impositions of this sort, which rival the exploits of Ponzi.

On the side of the English public, then, there is apathy towards the question of bank examination or publicity. On the side of the profession there is, needless to say, when aroused, the bitterest

opposition. One reads indignant statements, that "Lombard Street" would never submit to such invasion of its rights as Governmental inspection would involve; that "Throgmorton Street" would be outraged at proposals for such drastic curtailment of individual initiative as is contained in such Stock Exchange regulations as are in force in New York. It is next to a personal affront to mention examination to a British banker.

Legal Requirements

What, then, are the outstanding legal requirements on the topic? In the first place, by the Act of 1844, the Bank of England must publish a weekly statement, the form of which is too well-known to need description. If Mr. Roger W. Babson, had formulated an elaborate statement, to present by devious methods, a weekly report of the number of fingers on his right hand, he could have found an excellent model in the Bank of England weekly statement. Its "ratio" of cash to liabilities is about the only thing he might not have found of use.

Beside these, the Companies (Consolidation) Act, 1908, prescribed that all companies incorporated thereunder must publish a yearly statement of assets and liabilities. A banking company, however, must publish two such statements, at half-yearly intervals. These may be put down as practically useless, except as indicating the direction of change from time to time. As showing the present condition of the bank, they are, like most company balance sheets, despite the benediction of respectable firms of accountants, merely the product of compliance with the law. In general company law it is, of course, impossible to lay down a form of return that would be equally illuminative to whatever industry it was applied. But it is surely desirable to impose upon institutions, such as banks, having incalculably wide influences and ramifications, a form of statement that, standing alone, might give a clear picture of the

bank's condition of solvency and liquidity.

Monthly Publication

The banks do, of course, voluntarily publish a monthly return, consisting of the average of the weekly returns taken during the month. These, however, suffer from non-standardization, so that when combined, they lose much of their value. The reports of the nine London clearing banks, for example, as published, in part, in the Federal Reserve Bulletin, contain as one item "Cash in hand and at the Bank of England." The "Current, deposit and other accounts" are combined, and, inasmuch as practice differs among the banks in this particular respect, the item "investments" includes a considerable amount of Treasury Bills, discounted by the banks.

Easy to Discontinue

This is one disadvantage of the figures as they stand. Another is that they are too easy to discontinue. They were discontinued during the war, apparently for no other reason than that the public must learn not to ask too many questions. They might quite well be discontinued at any moment, when the banks chose to cast around for an excuse for doing so. It is true that except in a serious emergency their discontinuance might create distrust. But it is equally conceivable that the distrust so aroused might cause the banks less trouble than might the results of the publication of the returns.

In other words, in England the banks have been allowed such complete freedom of action that any proposed innovation meets with the most determined opposition. It is true that England's freedom from serious panics and losses, except at very rare intervals, gives proof of the consideration paid by bankers, particularly by the directors of the Bank of England, to the public interest. But, none the less, with dividends uppermost, the situation is fraught with danger, unless the public be protected, as in the



AMERICAN-GERMAN WAR CLAIMS COMMISSION

First Meeting at the State Department at Washington. Left to right, Dr. Wilhelm Kiesselbach, Special German Envoy; Justice R. Day, Umpire of the Commission and Judge Alton B. Parker, American Commissioner.

United States, by powers of examination and publicity vested in the agencies of government. Only then can the public know what it is entitled to know, and only then can it feel itself adequately safeguarded against actual fraud, or against the consequences of misguided profit-seeking.

As for the banks, straight-forward publicity is the best possible method of insuring a constant flow of fresh air into the financial atmosphere. All the while a policy of the utmost secrecy is pursued, the onus lies on the banks of disproving any wild allegations of fraud or mismanagement that may be made. With

complete frankness, however, disinterested examination by public officials, and widespread dissemination of the results of such inspection, it is for the one who levels the allegations to prove his contention. The bank stands upon its record, as written by disinterested parties. A sound bank needs no firmer foundation.

As a Bank Would See It

By BENJAMIN M. ANDERSON, Jr.

Economist of the Chase National Bank, New York

If a bank were in the position of the United States Government, of having made a bad loan, or a loan it could not collect in full at maturity, it would consider such compromise proposals as extension of time, reduction of interest rate, and waiving of interest for a period. The bank would, moreover, inquire into the details of the debtor's position. It would wish to know what assets and receivables the debtor had; it would take account of the goodness or badness of the debts due its debtors; it would inquire into the expenditures and revenues of its debtor, and would wish to know how far revenues could be increased and expenditures reduced. The bank would be concerned if dividends were being paid by its debtor, if unnecessarily high salaries were being paid, or if unprofit-

able departments were being maintained. The bank would be especially concerned if the debtor were undertaking new borrowing for purposes of expansion or plant extension. In working out compromise adjustments of the debt, the bank would expect to have these other matters adjusted also, and would expect the solution reached to insure the future solvency of the debtor. There would be no point to the bank's making any compromise of its debt unless there were such a general readjustment as to make sure that the reduced amount of the debt would ultimately be paid. If, on the other hand, by abandoning part of its claims, the bank could make sure of collecting the rest, it might well find it definitely good business policy to do so.

I believe that we can go further by viewing this problem as a banking problem that we can by viewing it either as a matter of sentiment or as a pawn in the game of domestic politics. I see no reason for questioning the righteousness of these debts.

Prize for Bank Building

The United States Mortgage & Trust Company was awarded first prize by The Fifth Avenue Association of New York for the best building erected in the Fifth Avenue section in 1922. The prize, a gold medal, was given in recognition of the Company's recently completed bank building at Madison Avenue and 74th Street, formal presentation being made at the Association's Annual Dinner, November 14, at the Hotel Waldorf by Will H. Hays, toastmaster, to vice-president Henry L. Servoss, representing the Trust Company.

Financing the Greatest Corporation

By J. H. CASE
Federal Reserve Bank of New York

Vast Operations Conducted Without Disturbing Outstanding Securities, the Money Market or Credit Conditions. A Survey of Recent Issues. The Government Debt. Changes in Type of Short Dated Securities. The Premier Security of the World

MANY thousands of individual investors recently have given a convincing demonstration of their confidence in the financial program of our Government by subscribing \$1,400,000,000 in cash for an offering of \$500,000,000 or thereabouts of $4\frac{1}{4}$ per cent 25-30 year bonds and by further tendering some \$250,000,000 of short dated Government paper in exchange therefor.

This heavy over-subscription has been obtained without anything in the nature of an active bond campaign or of intensive advertising other than the publicity given the Treasury notice that the bonds were for sale accompanied by a statement of the purpose for which they were issued. Private issues of one quarter this size or less have required the most energetic efforts of nation wide syndicates to effect their distribution, and many foreign governments are finding it extremely difficult to obtain much smaller loans, regardless of the terms which they are willing to offer. The key to our Government's ability to command such vast sums at moderate rates lies in the excellency of its credit. I think it may justly be said that a United States Government bond is the premier security of the world!

The credit of a nation reflects the integrity and thrift of its people, the resources at its command, and its ability to marshal these resources effectively. In this respect a government is like a great business corporation, the obligations of which are rated according to the reputation of its management, its wealth in plant and other properties, and the soundness of its commercial and financial policies. While the difficulties that we as a nation have had to meet in recent years have admittedly been less severe than the troubles with which

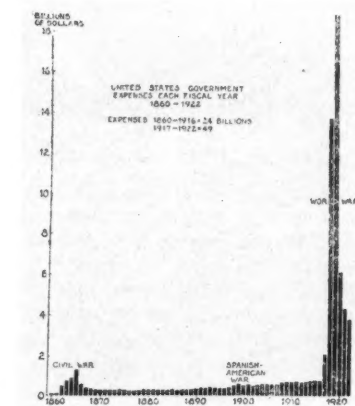


Chart No. 1

many other peoples have had to struggle, nevertheless they have been gigantic and we may take great satisfaction in the general soundness of the plan of financing by which the Government's credit has been maintained at a high level through an exceptionally trying period.

The increase in the functions of Government and the tremendous financial undertakings which result from modern warfare make the question of financing methods of vital importance. A private corporation may suffer from its own bad management, but unless it is one of very large ramifications the consequences of its errors and failure are not likely to be largely felt beyond a limited radius of its business associates. A government, however, which mismanages its fiscal system may shake business to its very foundations. This is particularly true in times such as during the war when the sums involved were beyond anything hitherto conceived as possible.

The Problem of War Finance

Chart No. 1 shows the expenses of the United States Government each fiscal year from 1860 to 1922. (62 years.) In 1919, the year on which the heaviest cost of our war effort fell, the total ran to the stupendous sum of nearly \$19,000,000,000 beside which the totals for Civil War and Spanish War years are dwarfed into relative insignificance. For the five years from 1917 to 1922 the total expenditures reached \$49,000,000,000, or more than double the total expenditures for the entire preceding period from 1860 to 1916. Figures for other countries actively engaged in the war would show equally astounding comparisons. For instance it has been calculated that the United Kingdom's war expenditures during the six fiscal years ended March 31, 1920, amounting to over £11,000,000,000, a sum larger than the total expenditures for the two and a quarter centuries preceding 1914.

If sums so great as these are badly handled the possibilities for mischief are enormous. The examples of seriously disturbed economic conditions that prevail in many parts of Europe bear eloquent testimony to the flagrant evils that are likely to result when the public finances are mismanaged.

The first rule of good financing in running a home, a business, or a government is a balanced budget. To be sound, a government quite as much as a private corporation, must pay current expenses out of current incomes. During war periods the pressure of national necessity often requires the temporary abandonment of this principle, but on the return of peace it should be the first task of the public officials to reestablish a balance of income

and outgo. In our own case after the recent war this point was attained on August 31, 1919, when the gross war debt reached its highest level at \$26,596,000,000.

The Government Debt

Our problem in dealing with this enormous debt was two-fold. (Chart No. 2.) First, we had to establish a means for its gradual reduction and extinction by strictly keeping expenditures below income and maintaining a surplus of revenue, and, second, we had to provide by refunding for a large amount of the debt which would mature too soon to be taken care of by the slower process of accumulating revenue.

Towards the solution of the first problem,—gradual total debt retirement,—we took a first important step when we made it compulsory to include in the budget a sinking fund charge upon ordinary receipts for the purpose of retiring a certain portion of the debt each year. This charge was set at $2\frac{1}{2}$ per cent annually of total Liberty and Victory issues outstanding July 1, 1920, less the foreign debts to us on that date, to which was to be added interest saved on any issues retired by the sinking fund during the year or in previous years. At present, this rate of retirement works out to about \$250,000,000 a year. Through the operation of this sinking fund, plus money derived from reducing the Treasury's working balance and from sale of surplus war property and liquidation of other war assets, we have succeeded in accomplishing, as shown on the chart, a steady reduction of debt amounting to about \$3,800,000,000 from the high point, or at the rate of about \$1,200,000,000 a year. This is a good beginning, and it is imperative that the good work should go on. It is with real concern, therefore, that we may view estimates that the Treasury faces a deficit of around \$670,000,000 for the current fiscal year, but governments like other enterprises are subject to the effects of economic changes and with the somewhat reduced commercial activities of recent months, (business already seriously burdened with taxation) could not sustain additional impositions without un-

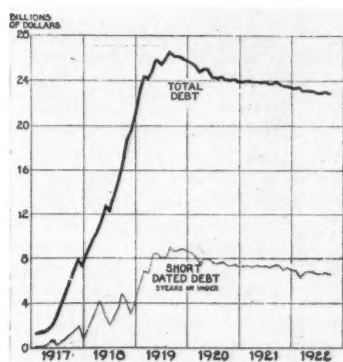


Chart No. 2

fortunate results. Yet unless Government expenditures are kept within the limits of receipts there could be no alternative except to again resort to borrowing, which would be a most regrettable step backwards in the direction of re-inflation and other evils that accompany debt expansion. It would be a sorry sight indeed to see this country with all its wealth and natural advantages, take place beside the other countries which cannot balance their budgets. There is no other satisfactory way for the Government to meet this situation than to stand guard over its expenditures and keep them within income. This will require all the more careful economy from now on because some of the sources which have supplemented revenue in the past, such as the Treasury general fund and surplus property sales, can be little further drawn upon.

The second problem in dealing with the debt,—that of refunding the early maturities,—is also pressing. As shown by the dotted line

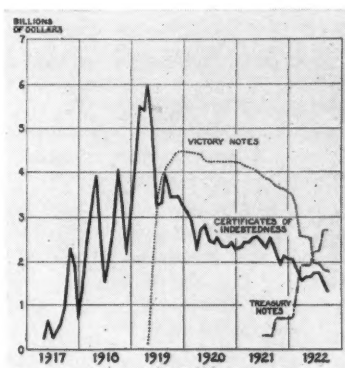


Chart No. 3

of this chart, our short dated obligations at their peak in 1919 aggregated close to \$9,000,000,000, all maturing within a period of five years. Happily, however, the Treasury already has made considerable progress in redistributing these maturities over a later period, and it is as the latest step in this program that the new issue of about \$750,000,000 long term bonds has just been sold. These new bonds involve no call whatever for additional capital, but were issued solely, for the purpose of projecting into the future, maturities which come due too soon, to be met out of current revenue.

For purposes of simplicity we may divide our scheme of debt financing, as it has gone thus far, into four stages which are illustrated by Chart No. 3. The first stage was during the war period. It was then the Government's policy to supplement revenues by frequent issues of short term certificates of indebtedness, which were partly taken up at successive intervals and refunded by means of the long term Liberty loans. This process is indicated by the irregular growth in the volume of certificates outstanding shown on the chart. By these operations the Treasury succeeded in refunding approximately \$17,000,000,000 into long term debt.

After the war, in 1919, money conditions became less favorable for the flotation of further long term issues at desirable rates, and with a view to tiding the Government over until conditions should again favor a long term refunding issue, the refunding took the form of a short term note issue which we may consider as representing the second stage. Approximately \$4,500,000,000 Victory notes were sold in two series, bearing $3\frac{3}{4}$ and $4\frac{3}{4}$ per cent. coupons and maturing May 20, 1923, but redeemable at the option of the Secretary of the Treasury in whole or in part on June 15, 1922, and again on December 15, 1922.

During 1920 and the early part of 1921 there were no further refunding operations, though as you may see by the chart there was some net debt reduction effected through revenue. By May of 1921

the Treasury faced the necessity of making provision for maturities within the following two years amounting to \$7,500,000,000, including Victory notes, certificates of indebtedness, and savings issues. Money conditions still did not favor a long term bond issue, so the Treasury as its third major step in the financial program resorted to a series of three and four-year Treasury notes. By the sale of six issues, extending over a period from June 15, 1921 to August 1, 1922, approximately \$2,750,000,000 of pressing obligations maturing by the middle of 1923 were redistributed through 1924-1926.

As the result of these operations, plus retirements, the Treasury by September 30 this year had provided for \$4,000,000,000 of the \$7,500,000,000 early maturities that it faced in June 1921. This left \$3,500,000,000 still to be provided for before the close of this fiscal year,

including \$870,000,000 Victories called for redemption December 15 and \$930,000,000 due to mature May 20 next year. To partially meet these requirements the Treasury has availed itself of a favorable bond market to offer a new long term refunding loan, the tremendous over-subscription of which we have just witnessed. This constitutes the fourth and most recent stage in the financing, and brings us up to date in the program. The successful sale of this new issue, realizing about \$750,000,000 in accepted cash subscriptions (and exchanges of Victories and Treasury certificates) reduces to still more manageable amounts the short dated debt maturities that remain to be provided for.

These vast operations have been performed with a wisdom that has protected us from any disturbances to outstanding securities, to the money market or credit conditions

in general. Step by step with the decline in open market money rates the Treasury on its successive issues has effected rate reductions which have reduced the charges on certificates from a high point of 6 per cent. to as low as $3\frac{1}{2}$ per cent. and on Treasury notes from $5\frac{3}{4}$ per cent. to $4\frac{1}{4}$ per cent. Yet so accurately have the terms conformed to market requirements that each successive issue has been heavily oversubscribed. This is a demonstration of government financing as it should be done. Undoubtedly this general recognition of, and confidence in, the soundness of our Treasury's program, (as well as improvement in credit conditions throughout the country,) has been an important factor in the recovery of and in the creation of and eager demand for any new security which bears upon its face the stamp of the United States Government.

The Limit On Federal Farm Loans

Secretary of the Treasury Mellon recently received a committee from the National Board of Farm Organizations and listened to recommendations concerning the administration and preservation of the Federal Farm Loan System. The committee urged that the maximum loans to cooperative borrowers be increased from \$10,000 to \$25,000.

The early sale of Federal Farm Loan Bonds now held by the United States Treasury was also urged.

"Under a legislative amendment in 1918 when Secretary McAdoo was authorized to purchase large holding of Farm Loan bonds in order that their sale might not conflict with the sale of Liberty bonds" said the committee, "the right of the stockholders to voice in Land Bank management was temporarily withheld,—the situation now being that so long as the Treasury holds any of this particular issue of bonds, the borrowers will have no right to elect their Land Bank directors as is otherwise provided by law.

"When the National Board of

Farm Organizations came into being in 1917," continued the committee "just as we were getting into the war in a real way, few suspected that the amendment to the Act, providing that as long as the government holds any of these bonds the government is to control the appointment of the personnel of the Federal Land Bank directors, would be in effect so long. It is entirely likely that had the farm leaders of the country known what would be the result of this amendment, they would have opposed it bitterly.

"It also appears that the Secretary of the Treasury has the power to end this anomalous situation by ordering all bonds held by the Government to be sold on the market. Such an order, we understand, will automatically make it possible for the borrowing stockholders to assume the responsibility so long denied them."

The delegation also expressed its belief that the farmers of the country were entitled to the appointment

of a *bona fide* farmer representative on the Federal Farm Loan Board.

Capital of Suburban Banks

There have been established in the suburbs of large cities, national banks which have regarded themselves as suburb community institutions rather than city banks, and they have in consequence operated on small capital though accepting deposit liabilities out of proportion to the capitalization. It is said that these deposits in some of these cases come as high as \$3,000,000.

The Comptroller of the Currency regards this condition as unfair to depositors and in several instances has taken up the matter with the banks and pointed out to them the inconsistency of their position. In no case has there been any other criticism excepting the criticism of the disproportion between deposits and capitalization. The Comptroller intends to pursue a policy of requiring these suburban national banks to increase their capital to an amount which will be in harmony with the total deposits.

Press Views of Cancellation

New York Evening Post Points Out an Erroneous Basis of Public Opinion. The Association Did Not Recommend Cancellation But Examination Of The Whole Allied Debt Position To Discover What Steps Are Advisable to Restore World Prosperity

IN contrast to the mistaken notion widely manifest in the press as to what was said and done at the American Bankers Association Convention regarding Europe's war debts, a comment in the *New York Evening Post* of October 14 commands particular attention amid the huge mass of editorials on the meeting that appeared in newspapers and periodicals throughout the country, because of its clear and accurate statement of what actually happened.

"A series of misconceptions has sprung up regarding Europe's debts to America and America's policy towards European reconstruction," said the *Post*. "At the recent Bankers' Convention many of the principal speakers emphasized the importance of a return to prosperity in Europe and the necessity for a constructive American policy looking to that end. As a result, some persons seem to have jumped to the conclusion that the bankers recommended cancellation of the Allied debts forthwith. As a matter of fact, the bankers did nothing of the kind. What they did reiterate was that both self-interest and justice require America to join in an examination of the whole reparations and debt position, with the object of discovering just what concessions may or may not be necessary to obtain a revival of international trade and a restoration of world prosperity."

Based on Error

Typical of editorial criticism, apparently based on the erroneous assumption the *Post* dispels, are the following:

"Offhand it sounds strange to hear bankers urging the cancellation of debts," said the *Post* of Cincinnati, Ohio, in part. "A banker who cancels a debt of his own doesn't last long in his profession. But this fact has not deterred speakers at the American Bankers Association Convention from advising that the European war debts to the American government be wiped off. You see, it is a debt to the people, not a debt to the banks, that they want cancelled."

Said the *Times*, Frankfort, Indiana, under the caption "Nix,"

"Bankers, 10,000 of them, at their convention in New York heard pleas for

cancellation of debts owed to us by Europe. Many were swept off their feet by the oratory. They join the 'forgive' brigade.

"Those debts represent money raised by selling Liberty bonds. When the bonds come due, they must be redeemed—either by the European borrowers or American taxpayers.

"Very easy, to give away other people's money. There was no talk at the bankers' convention about banks furnishing the funds to cancel Europe's indebtedness to us, or of forgiving the private debts owed to some banks by Europe."

However, there were many hundreds of editorial comments based squarely on the actual official action of the convention, with a thoughtful discussion of it, as instanced by the following from the *News* of Wapakoneta, Ohio, entitled "Foreign Cooperation."

"We believe," declared the American Bankers Association in convention at New York, 'that the time has come for the government of our country to formulate the principles on which it will be able to cooperate with other nations to bring about the needed rehabilitation of European countries and peace in the world.'

"It is no small thing to have this deliberate statement from such a body of men. It is given as the almost unanimous opinion of American Bankers. And bankers are usually regarded as speaking, more fully than any other class of business men can do, for the nation's business interests.

"There are many intimations that this sentiment represents the dominant sentiment of the American public today. There is recognition on all sides of the relation that foreign conditions bear to our own prosperity and future welfare and a growing disposition to play as large a part as can properly be played in international affairs.

"This purpose is primarily practical, intended for the protection of American interests. But it is also idealistic because America can not participate in international councils without using her influence for measures beneficial to the rest of the world."

Widest Discussion

The three individual addresses that called forth the widest discussion from the editorial writers were those of Thomas B. McAdams,

Thomas W. Lamont and Reginald McKenna. The *News* of Dayton, Ohio, said:

"Thousands of bankers, in attendance upon the general session of the annual convention of the American Bankers Association in New York, have been hearing some plain talk. On the opening day, Thomas B. McAdams, President of the Association, summed up existing conditions in the world, four years after the armistice was signed, 'while we (America) stand idly by neither offering assistance nor making a suggestion.' Even as the European nations are obliged to cast aside the suspicions and jealousies which retard permanent peace, so must the United States, whose citizenship in recent years has been keyed up to thinking in terms of political propaganda against cooperation with foreign countries, lay aside these prejudicial sentiments and pull back the smoke screen which designing politicians have for so long a time used in hiding the actual requirements from the intelligence of the American people."

"Said Mr. McAdams, pursuing the subject further before the bankers: 'Has not the time arrived for the United States to cast aside her policy of aloofness and throw herself wholeheartedly into the situation, that a cure for social disorder and financial demoralization may be speedily devised? We may picture for ourselves all the prosperity which is in our grasp today, so far as our international situation is concerned, but we must realize there can be no permanence in it unless a sound foundation can be laid upon which the structure of future international commercial relations may be safely built.'

Bankers Know It

"This is a plain and unanswerable statement of facts, and the bankers of the United States know it to be true. Some of us have been deluding ourselves into believing that isolation is a state into which we may or may not enter, as we choose—and that our national development and prosperity will not be affected, whatever our decision. How utterly false is such a position only those know who are abreast of the time, and who have made a study of the situation resulting from American isolation up to the present time."

The *New York World*, under the heading "Banker Statesmanship" said:

"The Bankers' Convention opened yesterday with two addresses that are a

credit to the imagination and the statesmanship of the financial community. Both Thomas B. McAdams as President of the Association and Thomas W. Lamont as chairman of the local reception committee offered an intellectual and moral leadership based on a capacity to deal with realities that is in the highest degree reassuring.

"Both of them declared unhesitatingly for a policy of cooperation with Europe. Both of them declared that the world's economic problem was bound up with a settlement of reparations and the interallied debts. Both of them made it clear that America must prepare itself to face the question of cancelling, curtailing, or readjusting the debts. Neither of them left any doubt that the present rigid funding act is an unworkable measure.

"I do not believe," said Mr. McAdams, 'that the spirit of the American people is properly reflected in a policy of isolation. . . . I do not believe there is anything in the history or ideals of our people which can justify our failure to help in a situation where our counsel and assistance are so essential to the restoration of world order.' Those are measured words. They were temperately said. But they were spoken by the President of the American Bankers Association at a meeting of the financial leaders of the whole nation. They are immensely significant words. And when you think that, word for word, those sentences might have been spoken by the president of the American Federation of Labor or by the president of any large farmers' organization or by the leader of any denomination of churches, their true weight can be realized.

"I again put the question to you," said Mr. Lamont, 'whether you and I and our fellow-citizens generally are doing our full share to solve the weighty, the tragic questions which are weighing upon the world.' It was thus that the convention began. The leaders of the banking community opened the session in no spirit of the booster but with a rare combination of humility and of courage."

Diverging Views

Antagonism to the above view is found in the following from the *Chicago Tribune*, which is rather typical of opinion found in a considerable section of the press:—

"Mr. Lamont of the house of J. P. Morgan, Mr. McAdams, retiring President of the Bankers' Association, now in convention in New York City, and other financiers are concerned over the foreign debts to us. Mr. Lamont wants the bankers to do some thinking upon this subject, and as to that we heartily agree. The subject needs the best thought we can bring to it, not only that of bankers but of the public generally.

"If we gather the drift of New York banking opinion we are being led more or less tactfully toward cancellation, Mr. Lamont, for example, requests his fellow bankers to ponder whether it is

really true that these sums are owed, in view of the fact that about one-half of the entire indebtedness was incurred between the time Congress declared war and the time the American army got into the trenches in large numbers.

"That is an interesting query. Most Americans west of the Alleghenies will promptly tell Mr. Lamont that the fact he alleges has nothing to do with the debt. The query to us is interesting as showing how we are being invited to slip into the assumption that America was in duty bound to enter the war in 1914. Mr. Lamont's implication is that we ought to have had an army of European size ready to save England and France on call. Since we did not, we ought not to count the advances we made them while they were fighting for us.

"Well, we think the more airing this line of thought gets the better. But we would explain to Mr. Lamont in advance that if he is for cancellation, as we don't doubt he is, he is not advancing his object by intimations that somehow we owe an apology and further compensation to Europe for performing our duty. We know that is the conviction among some Americans, but they are in a minority which is decreasing.

American Isolation

"Then there is Mr. John McHugh, president of the Mechanics and Metals Bank of New York, who, addressing the Clearing House Committee, remarks that he is 'not going' to criticize American isolation,' but 'if we are blessed with courageous and clear sighted leadership we are bound eventually to go beyond our isolation barrier as far as we should go, and in any case time is bound to widen our vision and adjust our absorption in domestic affairs.

"To talk of America as being 'isolated' is itself a proof of disingenuousness. We invite Mr. McHugh * * * to recall the fact, which they seem to overlook, that in the years 1917 and 1918 American isolation spent the lives of 75,000 American citizens to save the allied nations of western Europe from defeat in a war which America had no slightest part in bringing about. In addition to this blood sacrifice, the United States government has loaned more than eleven billions of dollars to the allied nations at war, and besides that sum we have loaned billions of private capital on rather dubious credit for reconstruction which does not reconstruct and poured out hundreds of millions in charity for the suffering.

"If that is isolation, what would participation come to?

"As for 'vision,' it is our judgment that the American people have all the eyesight required, and it has kept us, in spite of interested financiers, sentimentals and doctrinaires, from becoming the ruined victim of the old world politics which, ever since the so-called peace, has driven Europe deeper into the abyss. This is not the vision of the New York bankers who have loaned American money by the billions to Europe on a fat going to keep us from pulling their chestnuts out of the fire at our own expense."

McKenna's Speech

A generally favorable reception was accorded the speech of Mr. McKenna, as typified by the comment of the *Post-Express* of Rochester, N. Y.:—

"Reginald McKenna, former Chancellor of the Exchequer of Great Britain, now chairman of the London Joint City and Midland Bank, in his address before the American Bankers Association yesterday gave a business turn to the discussion of the debts of foreign nations to us. He said that Great Britain would pay us what she owed us, dollar for dollar. But he asserted that the nations on the continent cannot pay either Great Britain or us what they owe us and that they would require time in which to pay what they can pay. He expressed his conviction that any attempt to enforce payment beyond the debtor's ability is injurious to the international trade of the world. This appears like business sense.

"In everyday business, creditors frequently have to extend the time in which debtors shall pay what they owe. They realize that attempts to enforce payment in full at the appointed time would ruin the debtor and would fail to secure full payment of the debt. Therefore, if they think that the debtor has a chance to recover his financial strength and pay in full later, they grant him an extension as a matter of mere business, without any mixture of sentiment. That we should look upon these debts due us by Europe in the same light is the opinion of many sound financiers in this country. Will attempts to force payment in full of the sums owed us bring our debtors to bankruptcy? If this be the case, then it would appear that we should be foolish to force payment. So long, then, as we do not need imperatively the money owed us, we can afford to compromise, either by extension of time or by reduction of the debts, rather than by an uncompromising attitude lose all or a major part of our money."

A general survey of the editorial discussion as a whole shows a great diversity of thought among the editors not only in regard to the addresses and action of the convention but also in regard to the basic question itself of the debts of the Allies to the United States.

William R. Errett, senior trust officer of the Peoples Savings & Trust Company of Pittsburgh, has resigned that position to become treasurer and general manager of the Standard Publishing Company of Cincinnati. The board of directors of the Trust Company have made the following appointments effective January 1: vice-president in charge of Trusts, Moorhead B. Holland; trust commission. But it is the vision that is officer, George T. Emery, Jr.; trust officer, Gwilym A. Price.

Teacher and Banker Coordination

By JOHN H. PUELICHER
President American Bankers Association

The Province of the Teacher to Prepare Capabilities for Useful Work, and of the Banker to Turn the Results of Useful Work Into Greater Productiveness. Major Problems of Many Kinds May Be Solved Through the Knowledge and Application of Economics

A teacher in a middle western high school, with some hesitation came to a banker-lecturer, disliking, as she thought, to disturb that busy man, with what to her seemed nevertheless, a worth while incident. It was Saturday of the week in which he had spoken at the school on the subject of "Credit."

The teacher related how a boy of family, where honesty and right living were the rule, had come to her, white of face, insisting that it was necessary that he confer with her at once. A faculty meeting made immediate conference impossible, but the boy was waiting, if anything a bit more white and with mouth set. He began the conversation by asking that he be marked zero on a recent examination paper. The teacher did not understand, as the paper merited a high mark. Then the boy burst out, "The banker who talked to us this morning stated that real success went only to men of character and that character was developed at school; that the boy who cheated at school was cheating himself, because he was developing a trait that would later on lose him the confidence of his fellows, without which success was impossible.

"I but half prepared my lessons and I was, therefore, compelled to copy a part of that examination. I cheated and deserve and want a zero. I shall do my school work hereafter and quit cheating myself."

The banker had dwelt with much earnestness on Character as one of the important constituent elements of our entire credit structure, and as an essential quality of individual success.

"Credit rests on confidence," he had said, "and bankers speak of the four C's of credit which beget that confidence, as being Character, Capacity, Capital and Collateral.

"While life at school has little to do with presently acquiring capital or collateral, it has everything to do with the development of character and capacity.

A boy who cheats in school, 'putting it over on the teacher', is in reality cheating himself. He is developing what in after life loses for him the confidence of men, without which a very limited, if any, success is possible.

"Then, too, the element of capacity, so important in all of life's undertakings, is either made or marred during the school period. The student who but half prepares his lessons is acquiring a habit that will later get him but one-half of what might have been his had he developed his capacity to its fullest."

Reflected in Banking

"To the banker, the cumulative effect of this effort to eliminate waste through standardization and the simplifying of current commercial practice, means not only a steadier stream of deposits in his savings department,—but more than that, a greater assurance of the repayment of loans and also the entire group of banking advantages incident to 'better business'. Business is better safeguarded against economic disturbances, and the relative risk of loss lessened. Quickened turnover of capital invested in goods accelerates collections, and the availability of funds for loan purposes is more certain."

Although the parents and teachers of this boy had made him familiar with truth and honesty, the banker's practical application of its possession in later life and his statement that it either was, or was not, being developed during school life made a profound impression on this boy. To him the banker, a successful man, was speaking a profound truth out of an abundant experience.

And the banker can usually speak from an abundant experience. Situated as he is at the heart of our economic system, he becomes very familiar with its workings. He knows that only as we work can we save and that saving is the forerunner of all business success. He sees the practical application in

every day life of the knowledge that is acquired at school, and which it is the teacher's duty to give to his pupils. When pupils leave school to go into business they usually close their relations with the teacher and begin their relations with the banker.

The question naturally arises; can greater efficiency for community betterment be developed by joining the efforts of teacher and banker?

Can the work of the teacher and of the banker be so coordinated as to increase the usefulness of each to the community which he serves, and to mankind generally? The teacher is engaged in collecting and distributing information; the banker, in collecting and distributing the evidences of wealth. The teacher deals in theory; the banker deals in theory applied. The teacher prepares youth for life; the banker aids men to live.

Each in his sphere has established community leadership, because each serves large community interests. One deals with the economics of life theoretically; the other deals with them practically.

The world's problems today are problems to be solved only by the application of tested economic truth, and it is here that the fusion of the efforts of the teacher and of the banker must be made effective. The stability of our civilization rests on the peace and happiness of the many. Peace and happiness are the results of work well done and reasonably rewarded. It is the province of the teacher to prepare the capabilities for useful work, and of the banker to turn the results of useful work into greater productiveness.

There must be a solution of the misunderstandings between capital and labor; there must be a solution of the problems which presently confront the farmer; there must be a future for the nations which have

survived, and for those which have grown out of the war. These solutions should be evolutionary and constructive, not revolutionary and destructive; and rest, therefore, in a large measure, on more equitable dealing between man and man. To achieve the useful must be within the capacity of many; to achieve the equitable must be within the understanding of the many; and the desire to achieve that which is useful and that which is equitable must be created in the minds and hearts of the many. This requires a knowledge of economics, the province of the teacher, and an application of economics, the province of the banker.

Close To His Work

The teacher has, in the past, frequently lived so close to his exacting work, that he has been neither understood nor appreciated. His important task of training youth has been too often taken for granted. During the war men began to realize the important part which the teacher plays in our national existence. It was found that in addition to teaching children reading, writing and arithmetic, he had reached into the home life of the community and that there was reflected what had taken place in the school room.

In our many communities composed almost entirely of foreigners, there was little approach to the home, other than through the teacher. The support of our government during the war by many of these people, yet entirely unfamiliar with our institutions, desiring, if they knew how, to support them, must be attributed to what the child learned at school and took to its home.

A more active contact between the teacher and the business life of the community would be evidenced first by a greater appreciation of the part which the school man and school woman play in the potential business and civic prosperity of the community. This should result in greater material recognition of the teacher and draw to the profession many who would embrace it because of its sphere of usefulness, but who choose other vocations because they bring greater comforts.

In the second instance, a fusion

of the efforts of the teacher and the banker, both community servants in a large sense, should bring with it the solution of many of the problems which now vex men.

The teacher has in his school the sons and daughters of the laborer, the farmer, the storekeeper, the manufacturer and the professional man. The banker likewise serves the laborer, the farmer, the storekeeper, the manufacturer and the professional man. Neither is interested in serving one as against the others. Both measure their success by the average success of all whom they serve. Therefore both are interested in seeing many become successful. America is interested in seeing many become successful. It must bend its efforts constantly to augment a hardworking, peaceful, happy, middle group, equitably rewarded for its labors, so these labors may prove neither irksome nor their results insufficient for family growth and family prosperity. This necessitates a working together of the teacher and the banker for the better understanding of the theory and by putting into practice of those fundamental economic laws on which such a condition rests.

Joint Effort Not New

As practically every one goes to school, so practically every one, at some time or other, uses the bank. Because the school is a public institution it is under the direction of a board representing the public, and because the bank is a quasi-public institution it is regularly examined in the interest of the public by examiners representing the public.

There is nothing new in the joint effort of teacher and banker. Teachers have appeared on the programs of bankers' conventions, and bankers have served on school boards. Each has learned to more thoroughly understand and appreciate the other and in many instances one has materially aided the other.

In many schools, teachers and bankers have been cooperating in the endeavor to instill habits of thrift in the youth of this thriftless people. During the war, the banker was often found in the school room helping the teacher in developing in the mind of the child an understanding of that patriotic

endeavor which resulted in the purchase of millions of dollars of War Savings Securities.

Teachers in Agricultural Colleges have done much, by their addresses at bankers' conventions, to arouse in the banker a greater interest in the farmer and his problems, toward the development of the farmer-banker movement.

At the Convention of the American Bankers Association held at Los Angeles in the fall of 1921, a brilliant educator, president of a leading university, in a notable address pointed out the need of greater general economic education and made plain to the bankers their relation to this need.

Closest Co-operation

The address came at an opportune time, for the Committee on Public Education of the American Bankers Association had in September of that year begun its work of putting into effect a plan which purposed to meet, in part at least, the need described.

The plan had been submitted to many educators, most of whom indorsed and promised it support. Among these were many of the State Superintendents of Public Instruction, Presidents of Colleges, and City Superintendents of Schools, as well as principals and teachers, of parochial schools.

It proposed the closest cooperation between the teacher and the banker, the banker recognizing that the success of the plan rested on the teacher's support of his efforts in a field the pedagogical end of which was entirely new to him.

In short, the plan contemplated a monthly talk on banking and the practical application of elementary economics by the banker nearest the school, before the upper classes of every grammar school, in every high school, college and university of our whole country. That the banker approached this new civic duty with diffidence may well be believed. Accustomed to the atmosphere of the office and unused to speaking before audiences, particularly audiences of young people of school age, he recognized that time only could make him at home in this new undertaking. Nevertheless, and because of the great need of better economic understanding,

he went, in most instances, cheerfully to his task, frequently encouraged and counselled as to method, by the teacher.

While much of the substance of the talks treated of matter useful in the student's business life, there was much that was presently applicable, for example, that portion of the talk on Credit which dealt with the development of Character and Capacity.

Last year's work comprised ten talks, one for each month of the school year. These dealt with the bank and its functions. They made clear what to many seems mystery, showing that work creates savings, that the bank is a reservoir where interest is paid for the use of savings and that savings are used to make loans to the manufacturing and commercial enterprises of the community, making possible further earning and saving. Our interdependence is easily understood if we thoroughly understand the work done by the modern bank, and

learn to know its part in individual and community prosperity.

The talks of last year have been carefully revised, the revision being based on last year's experience. In addition to the revised talks there has been prepared a book of outlines for the use of the teacher.

In some communities the teachers organized groups for discussing with the banker financial questions of present moment. One will soon conclude that an intelligent discussion of these questions will result in profit when one contemplates the financial havoc which the printing press has accomplished for Russia, where for a single dollar, one can purchase several millions of rubles,— rubles which formerly cost forty-eight cents apiece; when one sees that misunderstanding regarding the purposes of the Federal Reserve System may again deprive this country as in the cases of the First and the Second Banks of the United States, of a banking system which the country's financial sta-

bility and commercial progress absolutely require. Knowledge of the dangers surrounding fiat money and of the safety resulting from a well regulated Federal Reserve System will result in an intelligent public opinion supporting the gold standard, and asking only the possible of our government's present splendid financial system. Discussions of the more complex questions of finance benefited both banker and teacher and contributed to their greater leadership as moulders of sound economic thought and practice.

With his offer of cooperation the American Banker comes to the American Teacher with the hope that their joint efforts will make for the economic understanding demanded by our present day complex existence, and will result in an equitable distribution of America's wealth, and in peace and plenty for America's people.

Reprinted from the Journal of the National Education Association.

Psychology of the Bank Building

BANK buildings are among the things that give character to a town. They act and react upon the mentality of the resident as well as making an appeal to the visitor.

Age is one essential to a beautiful city but age alone will not produce a satisfactory picture. The streets may be generously wide, the residences comfortable looking and well set on roomy lawns, the trees may be majestic, the mercantile establishments numerous and busy, the churches may impressively point their spires heavenward and the school windows may stare in scholastic rows at the passer-by, but if everything else from the factory stacks trailing smoke in the far distance, to busy stores on the main streets, set a good standard, the picture of a substantial town is incomplete if the town's financial strength is not emphasized by good bank buildings.

A substantial banking house—architecturally right—is a constant and an eloquent appeal to both the adult and the youthful mind.

People sometimes criticize proposals for the erection of municipal buildings, new church edifices and even new school houses, but the average town does not criticize because bank officials propose a new building.

The public regards these banks as community institutions whose prosperity is at once suggestive of the community's prosperity and whose upbuilding is indicative of an additional prosperity for everyone in the district.

Occasionally the statement is made that banks do not believe strongly enough in advertising but a fine banking house is a pretty fair form of advertising and the number of new structures recently built and of others in process of construction seem to justify the con-

clusion that in this form of advertising at least the average banker has abundant faith.

Administrative Committee

The Administrative Committee of the American Bankers Association will meet in Washington, D. C., December 11, 12 and 13. Arrangements have been made for the members to confer with various government officials on matters of importance to business and banking.

In addition to the members of the committee, the chairmen of the four commissions which carry on the economic and other special activities of the Association have been invited to attend the meeting. A number of association and administrative matters and the program of the various activities for the current year will be passed on at the meeting.

Par-Collection By Federal Reserve Banks

By THOMAS B. PATON
General Counsel

WE publish below, for the information of members of the Association, the full text of the decision of the United States Circuit Court of Appeals for the Fifth Circuit, handed down November 2, 1922, in the case of the American Bank and Trust Co., *et als.* v. Federal Reserve Bank of Atlanta *et als.*, affirming the decree of the District Court for the Northern District of Georgia, to the effect that plaintiffs, a number of state banks, non-members of the Federal Reserve System, are entitled to a writ of injunction against the inclusion of their names on the par list without their consent but are not entitled to an injunction preventing the collection of checks by presentation to the drawees for payment in cash, when such presentment is made in due course, with reasonable promptness, without designed delay or accumulation and in a proper manner.

A brief reference to the history of this litigation will lead to a better understanding of the decision just rendered.

The suit was originally brought in the Superior Court of Fulton County, Georgia, and was removed to the District Court of the United States for the Northern District of Georgia. The petition prayed an injunction restraining the Federal Reserve Bank from collecting checks "except in the usual and ordinary channel of collecting checks through correspondent banks or clearing houses," the purpose being to prevent collection through agents presenting the checks over the counter of the drawee banks, threatened coercive measures being alleged. The District Court dismissed the bill for want of equity and its decree was affirmed by the Circuit Court of Appeals, Fifth Circuit. *American Bank and Trust Co. v. Federal Reserve Bank of Atlanta*, 269 Fed. 4.

Appeal was taken by the banks to the Supreme Court of the United States where the decree was reversed. The Supreme Court held in effect that a bill which alleged

that a Federal Reserve Bank had adopted the practice of accumulating checks drawn on the plaintiff banks until a considerable number were on hand and then demanding payment in cash over the counter for the purpose of forcing the banks on which they were drawn either to join the Federal Reserve System or cease to do business, states a ground for relief, notwithstanding the right of the holder of a check to demand payment thereof in cash. The Supreme Court said:—"The question at this stage is not what the plaintiffs may be able to prove, or what may be the reasonable interpretation of the defendants' acts, but whether the plaintiffs have shown a ground for relief if they can prove what they allege." *American Bank and Trust Co. v. Federal Reserve Bank of Atlanta*, 256 U. S. 350.

The case then went back to the District Court of Georgia, where it was heard upon its merits. We summarize the findings of the District Court as follows:—

1. The Federal Reserve Banks are empowered to accept checks for collection.

2. Checks thus received must be collected at par and the Federal Reserve Banks are not permitted to accept less than the full face value in payment.

3. The Federal Reserve Banks are empowered to adopt any reasonable measure designed to accomplish the above purposes and to that end may send checks to the drawee directly for remittance through the mails without cost of exchange. If the drawee refuses so to remit, it is within the power of the Federal Reserve Banks to employ any proper instrumentality or agency to collect the checks from the drawee and they may legitimately pay the necessary cost of this service.

4. The process of the daily collection of checks is not rendered unlawful because two or more checks handled may be drawn on the same bank.

5. Publication of a par clearance list is a legitimate function; but as appearance of a bank's name on the par list may lead to the conclusion that it agrees to remit at par, such list should not include the name of any non-member bank without its consent although it may include the names of towns or cities with a representation that the Federal Reserve Bank will undertake to collect at par the checks drawn on any bank (member or non-member) therein.

6. In the inauguration of its par system, the Federal Reserve Bank of Atlanta was not inspired by any ulterior purpose to coerce or injure any non-member bank which refused to remit at par. The charge is not sustained by the evidence that the Federal Reserve Bank at Atlanta would accumulate checks upon country or non-member banks until they reached a large amount and then cause them to be presented for payment over the counter so as to compel the plaintiffs to maintain so much cash in their vaults as to drive them out of business, as an alternative to agreeing to remit at par.

7. The evidence is sufficient to sustain any charge in the bill that the Federal Reserve Bank was acting illegally or exercising any right it had so as to oppress or injure the plaintiff banks.

The publication of the names of non-member banks on the par list does not justify a finding that such publication was done to injure or oppress plaintiff banks; nevertheless the names of such banks should not be included in the list without their consent. *American Bank & Trust Co. v. Federal Reserve Bank*, 280 Fed. 940.

The decree of the District Court giving effect to the foregoing findings, has been affirmed (as shown above) by the United States Circuit Court of Appeals for the Fifth Circuit and the full opinion follows:—

Synopsis of Decisions

While the Supreme Court of the United States has held that the alleged threatened accumulation of checks by a Federal Reserve Bank until they reach a large amount for the purpose of causing them to be presented in cash over the counter of drawee banks or other devices designed to require payment in cash in such wise as to drive the drawees out of business or force them to submit to the par collection, is conduct which is wrongful and subject to being enjoined, a Federal Reserve Bank is not guilty of an abuse of its right as holder of checks received for collection when, in due course, with reasonable promptness, without designed delay or accumulation, and in proper manner, it presents or causes to be presented, those checks to the drawees for pay-

ment in cash. Federal & Reserve Banks are not entitled, however, to include the names of non-member drawee banks in their par clearance lists without the consent of such banks.

The Decision

WALKER, Circuit Judge: Except as to a feature of the bill mentioned below, nothing has occurred to require a revision of or departure from the conclusions stated in the opinion delivered by this Court in this case when it was here on a former appeal. *American Bank & Trust Co., v. Federal Reserve Bank of Atlanta*, 269 Fed. 4. What was held by the Supreme Court to show the existence of a right to relief under the general prayer for relief was the part of the bill containing allegations to the effect that, in pursuance of the alleged policy of the Federal Reserve Board to bring about the collectibility by banks of bank checks at par, the appellee Reserve Bank and its officers intended to accumulate, until they reach a large amount, checks upon banks of the class to which the appellant banks belong, and then to cause them to be presented for payment in cash over the counter, or by other devices detailed to require payment in cash in such wise as to drive the drawees out of business or force them, if able, to submit to the scheme of making bank checks collectible at par. *American Bank & Trust Co. v. Federal Reserve Bank*, 256 U.S. 350. The conduct which the Supreme Court decided to be wrongful and subject to be enjoined was the alleged threatened accumulation of checks for the purpose of using them in the manner alleged. It was not decided or intimated that the appellee bank would be guilty of any actionable wrong by merely presenting or causing to be presented bank checks held by it to the drawees for payment in cash over the counter. The alleged accumulation of checks for the purpose charged was an essential feature of the alleged conduct which was decided to be wrongful. We are not of opinion that a bank in receipt for collection of checks on other banks is guilty of an abuse of its right, as such holder when, in due course, with reasonable promptness, without design delay or accumulation, and in proper manner, it presents, or causes to be presented, those checks to the drawees for payment in cash. In so doing the collecting bank would be exercising its right as the holder of checks received by it for collection, and would not be guilty of an abuse of that right for an unlawful purpose. If the holder of the checks is guilty of no wrong the fact that the payee is inconvenienced by having to pay in cash would not give the latter a valid ground of complaint. Inconvenience resulting to one party from another's exercise of a right in a lawful way does not give the former a right of action. The most

that the evidence relied on by the appellants tended to prove was that at and prior to the time of filing the bill the appellee bank intended or proposed to deal in the just stated manner with checks received by it for collection, when the drawees did not consent to remit at par, and that it was after this suit was brought that appellee bank manifested its willingness to allow payment of such checks to be made either in cash or in acceptable exchange. The trial judge specifically found that "the charge that the Federal Reserve Bank at Atlanta would accumulate checks upon country or non-member banks until they reach a large amount, and then cause them to be presented for payment over the counter, so as to compel the plaintiffs to maintain so much cash in their vaults as to drive them out of business, or an alternative agreement to remit at par, is not sustained by the evidence." He further found "the evidence insufficient to sustain any charge in the bill that the Federal Reserve Bank was acting illegally or exercising any right it had so as to oppress or inquire the plaintiff banks." The record before us does not warrant the setting aside of either of these findings. We do not think that the evidence adduced justified the granting of any of the prayed for relief which was denied by the decree appealed from. By that decree the appellee Bank was "enjoined and restrained from publishing, upon any par list issued by the said defendant, the Federal Reserve Bank of Atlanta, the name of any non-member bank being a plaintiff in this case unless such non-member bank consents or has consented to remit at par."

Our attention has been called to an opinion rendered, after this case was argued and submitted, upon the granting of a preliminary injunction in the case of *Farmers and Merchants Bank of Catlettsburg, Kentucky, vs. The Federal Reserve Bank of Cleveland, Ohio, and Mary B. McCall*, pending in the District Court of the United States for the Eastern District of Kentucky. That opinion shows that the granting of a preliminary injunction in that case was influenced by the showing made that the defendant bank, by its authorized agents, adopted what well might be deemed to be unwarranted methods in collecting checks on the plaintiff bank. That case is plainly differentiated from the instant one by the above quoted explicit finding in the latter to the effect that the evidence did not sustain any charge in the bill as to improper conduct by the appellee bank or its agents. We do not think that that opinion shows that our above indicated conclusions in the instant case are incorrect.

In the absence of any showing that the appellee bank consented to or approved of the use of any unlawful means of enforcing or promoting the adoption or carrying out of the policy or plan of making bank checks collectible at par, the fact that the appellee bank was in accord with other Federal Reserve Banks in adopting that policy and attempting to

bring about the general acceptance and adoption of it cannot properly be given the effect of making the appellee bank responsible for unlawful acts done, in the effort to enforce that policy, by or at the instance of other Federal Reserve Banks. An express or implied agreement between the several Reserve Banks to promote the adoption of the policy mentioned does not import a common consent to the use by any party to such agreement of unlawful means to effectuate the common lawful purpose. Assent by one party to concert of action with others to accomplish a lawful purpose does not involve or amount to the former consenting to or approving the unlawful conduct of any one. There was no evidence tending to prove that the appellee bank authorized, consented to or ratified the use by or in behalf of other Reserve Banks of illegally coercive methods to bring about the general adoption of the above mentioned policy. It follows that the evidence offered to prove the use by or in behalf of other Reserve Banks of unlawful means to accomplish the alleged common purpose was properly excluded.

The court disallowed a proposed amendment of the bill having the effect of adding as parties plaintiffs thereto banks located in Federal Reserve Districts other than the Sixth. That ruling was not erroneous. The complaints made by the bill are based upon what it alleged the appellees did or proposed to do in transactions between the appellee Federal Reserve Bank of the Sixth Federal Reserve District and the appellant banks, which are located in that District. The banks unsuccessfully sought to be added as parties plaintiff are so far strangers to the transactions mentioned as to keep the alleged conduct complained of from giving to those banks a right of action based on that conduct, with the result that those banks are not entitled to be joined as parties plaintiff in this suit.

The same interrogatories were propounded by the appellants to several of the appellees. A separate answer was made to each of those interrogatories, each person interrogated making such answer his own. The court overruled objections to such answers on the ground that answers so made to interrogatories were violative of the provision of Equity Rule 58 that "each interrogatory shall be answered separately." What the quoted provision forbids is the making of one answer a response to more than one interrogatory. It does not forbid several persons to whom an interrogatory is propounded joining in the making of one separate answer thereto. The provision does not require the duplication or multiplication of answers to an interrogatory when the parties interrogated desire to make the same answer thereto. The answers made to interrogatories were not subject to objection on the ground mentioned.

The conclusion is that the record does not show any reversible error. The decree is affirmed.

Appraising Buildings for Mortgage Purposes

By C. STANLEY TAYLOR

Factors of Security, Predetermination of Neighborhood Trends. Latent Power of Economic Control Represented by Maintaining Differential in Favor of Good Design and Construction. Abrupt Changes Resulting from War's Interruption of Building Covered Many Errors in Appraisals

WE may preface this article, and perhaps direct more definite interest to the facts herewith presented, by stating that good fortune rather than good judgment has been an important factor in preventing extensive mortgage loan losses in the building field during the past few years!

If it had not been for the abrupt rise in building costs and consequently in rental incomes on all buildings since the early part of 1915, millions of dollars would have been lost by banks and other mortgage loaning institutions and the responsibility of appraisals for mortgage purposes would rest more heavily on some shoulders than is the case today.

Depreciation

Records of mortgage foreclosures and forced sales of building during the period between 1906 and 1915 showed a constantly increasing volume of depreciation losses; "white elephants" and questionable building values, forced within the assets of mortgage loaning institutions through the necessity of foreclosures. Many such institutions were steadily confronted with the problem of disposing of buildings taken under these conditions and considerable ingenuity was in evidence in the handling of these transactions. In many instances banks, trust companies and other loaning institutions were forced to sell buildings taken under foreclosure proceedings: at low prices which represented actual investment losses and certainly a vast amount of unprofitable time was spent in discovering ways and means out of the unpleasant business situations resulting from bad mortgage loans.

If the cutting off of building operations during the war period had not resulted in greatly increased demand for rentable space

of all kinds, these problems would have been greatly intensified over the last few years. Fortunately for investors of mortgage money, increased values followed the increased demand for building space, to a point where the sales value of older buildings rose from low levels often approximating or less than the actual mortgage loan to points higher than original appraisals and costs. This has been the good fortune attending the mortgage loaning operations of many banking institutions and for this reason many important factors of security in making appraisals for mortgage loaning purposes have not been emphasized by unfortunate experiences which were escaped through the upward trend of building valuations rather than through the foresight of those who made appraisals.

It is clearly evident, however, that we are now in a position where fairly liberal mortgage loans may be safely made but bankers can depend on no element of good luck to enter as an important factor in appraising buildings today. We have passed the point of rapid deflation in building costs which indicated danger and kept mortgage money out of the market until last year. We are in a period when an intelligent appreciation of the elements of security in making mortgage loans will not only create a factor of safety but will allow the exercise of a measure of economic control which, with few exceptions, has been a latent but unused power in the hands of the banking fraternity.

Remarkable Ingenuity

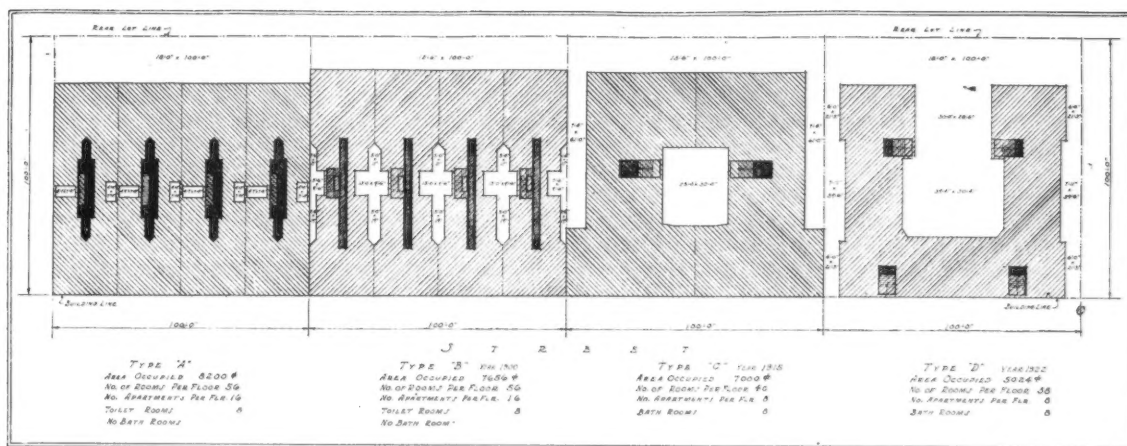
As indicated in preceding paragraphs there have been many instances during the period of deflated values when bankers have shown remarkable ingenuity in extricating themselves from bad mortgage situations. As examples of such in-

genuity and to indicate weaknesses of appraisal methods of the past, we may present the following two examples:

The first is that of a five story apartment building located in one of our larger cities on a plot of land 33 ft.-6 in. x 100 ft. This building was built in 1898 and had two apartments to a floor, one a six and one a seven-room apartment. The original appraised value of the building was about \$40,000 and the mortgage loan was \$25,000. In the year 1915 this property was bringing in a rental of only \$3,576 yearly and the property was finally foreclosed and taken over by the mortgagee which happened to be a bank. After carrying the property for some months it was found that with simple alterations these large apartments could be cut into four apartments on a floor. With this understanding the property was sold for \$26,000 under an agreement by the new owner to make such alterations. These alterations having been made the property again became attractive from a rental viewpoint and the gross rental increased to \$7,800, creating a renewed building valuation which amply protected the mortgagee. In this case the original appraiser was at fault because he did not recognize defects in the planning of this building or neighborhood changes which were obvious at the time.

Bad Planning

A similar case was found in a large apartment building in a good residential district of New York City built in about the year 1892. This was an eight story fireproof building on a plot 100 x 100 ft. appraised for mortgage purposes at \$600,000 and bearing a mortgage of \$400,000. The building was badly planned, having but two fourteen-room apartments to a floor and in the year 1918 there was no equity



The Evolution of Building Planning

left on this property. The rental was only \$42,000 yearly and the mortgage institution was left with a very bad piece of property on its books and threatened with a direct investment loss. Here again the idea of altering into small apartments became the saving factor and the property was sold under an agreement to invest approximately \$100,000 in the alterations. These alterations into small apartments resulted in increasing the annual rental from \$42,000 in 1918 to \$105,000 in 1919 and \$129,000 in 1922. The present value of the building is about \$650,000. In this case the property was not foreclosed but the owner surrendered the deed to the mortgagee, taking the full equity loss. Here again was a case of bad planning and lack of foresight on the part of the appraiser.

Direct Investment Loss

An instance of direct investment loss occurring just before the war period is a case in which a savings bank in New York City foreclosed a \$56,000 mortgage on a group of buildings which because of faulty construction had depreciated greatly in intrinsic value and because of bad neighborhood trends had decreased in income producing power. In order to clear its books the bank was forced to sell this property for \$36,000, taking a direct investment loss which could have been prevented by sounder appraisal methods.

The books of banking and loan-

ing institutions in many sections of this country bear silent witness to errors in appraisal of building values. Little is to be gained, however, through bemoaning experiences in the past except to emphasize the value of a more receptive consideration of factors of security in appraising building values today.

Factors of Security

There are three basic elements which should receive serious consideration in making appraisals of buildings for purposes of mortgage loans. First, efficiency of purpose of the building; second, stability of rental income; third, integrity of construction.

Of these three the most important and that which has received least consideration from the appraisal viewpoint is the factor of *efficiency of purpose* which means primarily good architectural planning. A study of building plans of the past three or four decades shows upon proper analysis that the average building is not only poorly planned for its purpose but that a considerable amount of waste space has acted as a surcharge on investment and maintenance costs. During the past few years the high cost of building has had a good effect in forcing plan study and it may be said that in almost all classes of buildings the evolution of planning has shown a remarkable forward step during this recent period.

As an example of this condition we present herewith an illustration

of the evolution of tenement house planning as developed from studies by a New York architect who has specialized in the planning of this type of investment building. It will be noted that this illustration shows four typical building plans on the same sized plot. At the left will be seen the old type of tenement building previous to the year 1900. The next advance in planning is shown in Type B developed about 1900. Type C is the so-called "new law" house of New York City which represents a considerable advance in the factors of sanitation and utility of living conditions and finally we have Type D developed in the year 1922 which represents the ultimate planning so far developed for this type of building. We may briefly call attention to the fact that in the evolution of these plans the apartments have gradually been opened up to light and air with constantly bettering sanitary features.

Result of Insistence

From the viewpoint of the mortgage loan appraiser it is quite easy to understand how the building of Type D provides for a better character of occupancy; lower depreciation costs and increased stability of rental income over a long period of years. In this type of building the rear apartments are equal to if not preferable to the front apartments because they overlook wide garden courts and have all advantages of light and air. This particular instance of the evolution of planning from an effici-

ency viewpoint is the result of the insistence by a large loaning institution, together with the intelligent cooperation of the architect, to create at once better housing facilities and better collateral for mortgage loans!

Stabilizing Income

Similarly in many other types of buildings a period of rapid evolution in planning is to be noted and it lies within the power of every loaning institution to insist that buildings be planned for greater efficiency of purpose.

This precaution will naturally have a very definite effect in the stabilizing of rental income. An efficiently planned building provides satisfactory occupancy over a long period and is much less subject to the ultimate competition of newer buildings than in cases where poor planning results in rapid obsolescence and consequent dissatisfaction among tenants.

The factor of stability in rentals is also strongly influenced by neighborhood trends. In the average American city or town modern developments have made it more easily possible to anticipate these trends than ever before. In certain municipalities (as in New York City) the effect of zoning laws and regulations, together with city planning activities, is resulting in the establishing of definite neighborhood trends—a fact which operates directly to the advantage of the appraiser of building values. Again, the average American city or town today has a background of structural and development history which it did not possess thirty or forty years ago and which aids materially

in reading the future of building values.

Integrity of Construction

Finally, we have for consideration the important factor of integrity of construction. Here again the luck of accidentally stimulated building values has prevented many drastic losses which would have been chargeable directly to the use of inferior building materials, methods and equipment. This element of good fortune will not constitute a safeguard in the future valuations of buildings but is in effect a menace because it encourages a certain laxity in appraising building values. The power of dictating the quality of building construction lies directly in the hands of the mortgage loaning interests. It has, with few exceptions remained a latent power, and through failure of its enforcement a great volume of inferior building construction has been foisted upon the public of America for many years.

Aside from the direct depreciation in collateral values which follows in cases where the use of inferior materials and equipment is allowed, there is a fundamental economic waste which bankers throughout the country should recognize and aid in preventing. Buildings represent the basic economic element of shelter. They are the most important tools of industry and commerce. Any waste (whether it be of man power, misused capital, or adversely affected rent values) which is allowed to enter as a definite factor in building construction must necessarily be reflected back through the en-

tire economic structure of which banking is today the foundation. It should, therefore, be accepted in practice as well as in theory that all bankers have a direct interest in the building construction industry and in new building construction in general. Certainly there should be a more definite interest among those banking institutions which are empowered to make mortgage loans; but the great building activity of the year 1922, having demonstrated its fundamental relationship with all phases of industrial and commercial activity, calls for the consideration of every banker. It would seem an obvious duty on the part of bankers today, as well as the best of business judgment, to utilize the power of financial control in the building field, particularly as represented in the function of appraising for mortgage loan purposes, to eliminate bad practice in the planning and construction of buildings of all types.

It is to be hoped that a full realization of the power which lies within the banker's grasp as it relates to this situation and the possibilities of control resulting from this condition will encourage a more carefully developed general method of appraising buildings for mortgage purposes.

If all conditions are anticipated, rapid depreciation in collateral values may be prevented and the present unequal volume of new building construction may be shaped to set a precedent which will last for generations to come, even as the modern banker is forcing the establishment of sound precedents in other fields of investment, merchandizing and the development of natural resources!

Application for Branches

COMPTROLLER of the Currency Crissinger has adopted a new plan for dealing with applications for the establishment of branches of national banks.

When an application is made by a national bank for permission to establish a branch or branches ten

days must elapse before any action will be taken, and during this ten-day period the Comptroller will receive and consider any protests which interests in the locality of the proposed branch may see fit to make.

Comptroller Crissinger has announced a general policy of grant-

ing permission for the opening of additional offices by national banks in localities where state banks already have the privilege of conducting branches; but in all cases coming before the Comptroller, decision on the application is to be decided upon its merits, as indicated by the information before the Comptroller.

Simplified Practice Will Aid Banking

By RAY M. HUDSON

Division of Simplified Practice, Department of Commerce, Washington, D. C.

In Manufacturing It Eliminates Waste and Duplication of Effort. Lowers Unit Cost Through Mass Production. Less Capital Tied Up in Inventories. Turn Over Quickened. As Simplification Extends Distributors Are Able to Free Themselves from Burdensome Lines

WHAT tempts business men to high productive activity? Larger profits, of course! But, in these days of high wages, high material costs, and public demand for lower prices, how can a manufacturer, or a merchant, increase the present narrow margin between cost and selling price?

One way, and a very effective one, is through the elimination of waste, expressed as the correction of all uneconomical trade practices, customs, and habits. For example, the rapid growth of our industries has resulted in an over-diversification of products. Not that the variety of articles is too great, but rather that the variety, in size and style, of each thing is far greater than necessary. Secretary Hoover says:

"It is certain there are many articles of every day use in which the manufacturer would indeed be glad to undertake some cooperation in standardization, from which the saving in national effort would be interpreted, not into millions, but into billions of dollars. This does not mean we stamp the individuality out of manufacture, or invention, or decoration; it means basic sizes to common and every day things."

100 Eliminating

Over a hundred different industries are showing their appreciation of the truth of that statement by the efforts they are now making to eliminate unnecessary variation in the sizes, and dimensions of not only the products they sell, but in the supplies, and materials they buy. The Trade Association for the industry is the centralizing agency, and the Department of Commerce is the clearing house, for the continuous crystallization of the best thought and practice of the industry. This community of interest in conservation of material, effort, time and money, like the proverbial snowball, is rapidly rolling into

a national industrial thrift campaign, and promises to become a prominent factor in the solution of some of our current problems.

Lower Unit Cost

Manufacturers are believers in simplification for it means lower unit cost through mass-production of fewer sizes and styles; less capital tied up in inventories and stocks of raw, semi-finished, and finished materials; more efficient labor due to increased individual production made possible by longer runs on standard sizes, and by increased skill through the repetitive process. Turnover is quickened, and sales momentum is intensified by the higher quality of product, and the quicker delivery service, afforded by this concentration on limited varieties.

The distributor likewise gains through handling only live lines. Having fewer dead lines, or odd sizes, and specials to dispose of—his obsolete stock losses are reduced. His turnover is stimulated, his profits grow accordingly, and his own demand for standard articles is increased.

The consumer gains through lower prices than would be otherwise possible,—better quality in his purchases,—and better service. The purchasing power of his dollar is increased, and his cost of living is reduced,—or for the same cost, a higher standard of living becomes possible.

Markets are broadened, production is stabilized, factory shut-downs are less frequent, and continuity of employment replaces the present seasonal fluctuation.

To the banker, the cumulative effect of this effort to eliminate waste through standardization, and the simplifying of current commercial practice, means not only a steadier stream of deposits in his

savings department,—but more than that, a greater assurance of the repayment of loans and also the entire group of banking advantages incident to "better business." Business is better safeguarded against economic disturbances, and the relative risk of loss lessened. Quickened turnover of capital invested in goods accelerates collections, and the availability of funds for loan purposes is more certain.

These pictured results will not however, materialize over night. They will come only in proportion to the educational effort expended, the interest shown, and the support given by business men to the promotion of simplification as a fundamentally sound commercial principle. A little saving here, and another there, by one manufacturer, then another, and eventually by every producer, distributor, and consumer, means a fuller measure of this world's goods for each of us. As has frequently been remarked, the great Woolworth Building was erected out of the profits of five and ten cent stores.

Capital Conserved

Capital will be conserved, for the same amount can be made to do more effective work. It will be used more intelligently, which means it will not be wasted. New capital will become available, for when industry shows that by careful management, judicious spending, and continuous operations, its rate of earning is increased,—more investors will be attracted.

Some bankers have certainly already observed fruits of this effort in industry, evidenced by the following activities. All paper-consuming interests are studying the advantages of a simplification of page sizes for various purposes, such as trade papers, catalogs, advertising matter, correspondence,

and even office forms. Warehousemen are working on a standardization of negotiable receipts and other papers passing between them and the public. Railroad bills of lading have been standardized by Government decree. Greater uniformity in ocean bills of lading is being sought. Purchasing agents are developing standard forms of purchase orders, and invoices. Standardization of office appliances, equipment, furniture, etc., offers an attractive field for economies to bank purchasing officers.

These simplified practices mean lessened clerical expense, and therefore lessened overhead. The losses incidental to the turnover of office workers, and also the costs of educating new employees, are similarly reduced. Many trade bodies are adopting uniform cost accounting methods for their respective industries, which means that the more real facts a man knows about his own business, the more intelligently he can operate it. Effort of this kind usually reacts to make him a better business man, and therefore a safer customer for the bank. Establishing a uniform

method of calculating interest and standardizing commercial credit letter forms are good examples of possible standardization in banking practice. A complete survey would, no doubt, reveal many other possible areas for simplified practice in this field.

Saving by hoarding is uneconomical,—saving by eliminating waste is good sound business. To secure the maximum return for the minimum investment by intelligent spending is the highest form of conservation. Broadened appreciation and recognition of simplified practice insures that conservation.

Proof of its economic soundness is shown in the unification of railway gauge, and the standardization of car construction, thus permitting transcontinental shipments without breaking bulk *en route*; also in the rapid development of the automotive industry; the adoption of the "point" system in type-making; and the present universal interchangeability of electric lamp bulbs. These simplifications by great industries have not only advanced our standards of living, but have been highly contributive to the growth

and prosperity of the industries themselves.

More and more of our enterprises are visualizing the application of this principle to their problems, and are taking active measures toward realizing its advantages.

In response to numerous suggestions that the Government cooperate with them, Secretary Hoover organized the Division of Simplified Practice in the Department of Commerce to assist manufacturers, distributors, and users of basic commodities to eliminate waste through the reduction of excessive variety in sizes, and dimensions of essentially like things. There is no thought of Government control, restriction, or regulation in this activity. The Department's attitude is purely one of support or indorsement of the best thought and practice within the industry itself.

The services of the Division are available to bankers, and to all others who see any possibility of advantage, to the industry in which they are interested, through adopting simplified practice as the basis of waste-elimination.

Certification of Altered Checks

By THOMAS B. PATON
General Counsel

THE following letter, containing opinion, addressed by General Counsel to Secretary Mullen of the Clearing House Section and by him forwarded to the various clearing houses of the country, is published for the attention and consideration of banks generally:

This letter is in aid of bringing to the attention of the Clearing Houses of the country, the effect of the decision of the Supreme Court of Illinois, in *National City Bank of Chicago v. National Bank of the Republic*, of Chicago 132 N. E. 832, construing the Negotiable Instruments Act in the case of certification of an altered check.

In that case, a check payable to A was stolen by B who erased A's name and inserted his own as payee. The check with B's indorsement, was certified and paid to a subsequent holder in due course. The bank was held liable to such holder. The court held that under Section 62 of the Negotiable Instruments Act which provides that the acceptor "engages that he will pay according to the tenor of his acceptance" and admits "the existence of the payee and his then capacity to indorse," the bank bound itself to pay B. The court denied a contention that the acceptance simply admitted the existence of the payee named by the drawer, say-

ing that the acceptor knew nothing regarding the existence of the original payee, A; what the acceptor admitted was the existence of the payee named in the draft at the time of the acceptance, namely, B. The reasoning of the court would equally apply to a check which had been raised in amount and certified, because the acceptor would know nothing of the amount originally inserted by the drawer and would engage to pay according to the tenor of his acceptance namely, the amount stated in the check at the time of certification.

No consideration was given by the court to the provision of Section 139 of the Negotiable Instru-

ments Act, that "a general acceptance assents without qualification to the order of the drawer" which would indicate that the acceptor obligates himself to pay the check as drawn and not as altered prior to acceptance and that such would be the tenor of the acceptance.

Creates Anew

If the decision of the Illinois court is a correct interpretation of the Negotiable Instruments Act, it means that the former judicial law that the certifying bank does not warrant genuineness as to payee of amount, but only the things within its knowledge namely, signature of drawer and sufficiency of funds, is supplanted by a rule which makes the certifying bank liable for the check as it reads at the time of certification. In other words, although a check has been avoided by material alteration of payee or amount, the certification creates anew a valid instrument, by which the certifying bank obligates itself to pay according to the terms of the instrument as certified.

Banks cannot, of course, take the risk of certifying as to things of which they know nothing and of obligating themselves to pay checks which, if altered, cannot be charged to the drawer. Two courses of procedure, therefore, have been suggested and are under way:—

1. The procuring of an amendment of the Negotiable Instruments Act which will limit the liability of the certifying bank to what it has been under the common law, namely, signature of drawer and sufficiency of funds. This matter is in charge of the Committee on State Legislation and General Counsel of the A. B. A., and a draft of amendment will be forwarded to State Bankers' Associations for presentation to 1923 State Legislatures.

2. Pending amendment of the Negotiable Instruments Act, the adoption by the banks of a form of certification which will exempt them from liability in case of alteration of the instrument.

The Illinois decision was discussed by General Counsel in an article published in the February 1922 Journal of the Association and in the March JOURNAL, the following form of certification was tentatively suggested:—

"Certified without liability for genuineness except as to maker's signature."

In a further article in the June JOURNAL, the following form was suggested as preferable to the form first suggested:—

"Certified, payable only if unaltered since originally issued by the maker."

The question was discussed in the June JOURNAL whether these forms might affect negotiability by making the instrument payable on a condition, namely, only in the event it was unaltered at the time of certification. It was pointed out that in any state where the courts might disagree with the Illinois decision and hold that the Negotiable Instruments Act did not change the rule that certification only binds the bank for the genuineness of maker's signature and sufficiency of funds, negotiability would not be affected because it has been held that the formal expression of a condition that is implied in the giving of a bill or note does not affect negotiability; therefore, the statement of a condition that the bank would not be liable where the check was altered before certification in any respect other than maker's signature would be only what would be otherwise implied by the law and negotiability would not be destroyed.

In Each State

But it was further pointed out that under the theory of the Illinois decision that certification creates a new obligation according to the terms of the instrument as certified, the form of certification might, in Illinois and in any other state which followed its decision, be held conditional and a negotiable-destroying promise to pay because made on condition of non-alteration. The adoption of such a form might, therefore, be a question for separate consideration in each particular state, after consultation with members of the local bar and judiciary, whether in the first place, the Illinois decision was deemed sound and likely to be followed, and if so, secondly, whether there was likelihood that certification payable only in the event of non-alteration would be held a non-negoti-

able promise and, lastly, if non-negotiable, whether it would be of any practical value to the holder.

Limited Form

I have recently given further thought to the question of soundness of the Illinois decision and also to the possibility of adopting a limited form of certification which would be free from the criticism that it might be held conditional and affect negotiability and, in addition to what has, heretofore, been published on the subject, would present the following for the consideration of Clearing Houses.

The Negotiable Instruments Act provides:—

"Sec. 187. Where a check is certified by the bank upon which it is drawn, the certification is equivalent to an acceptance."

"Sec. 132. The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer."

"Sec. 139. A general acceptance assents without qualification to the order of the drawer. A qualified acceptance in express terms varies the effect of the bill as drawn."

Under the above provisions, certification of a check signifies the assent of the bank only to the check as drawn; if altered before certification, it is not the order of the drawer and there is no "assent" or "acceptance" of the altered order, unless the following section changes the character of the obligation:—

"Sec. 62. The acceptor by accepting the instrument engages that he will pay it according to the tenor of his acceptance and admits

"1. The existence of the drawer, the genuineness of his signature and his capacity and authority to draw the instrument; and

"2. The existence of the payee and his then capacity to indorse."

The Supreme Court of Illinois holds that under Section 62, certification of a check upon which the payee has been changed, is an admission of the existence of the payee "then" named in the draft and not of the payee named in the draft by the drawer; also that the engagement to pay according to the tenor of the acceptance means the amount named in the draft at the time of acceptance and not that at the time of drawing, if the

amount has been raised. But is this construction correct, in view of the provision that the acceptance assents to the order of the drawer, as drawn? In the light of that provision, does not the engagement to pay according to the tenor of the acceptance mean according to the order as drawn or, in case of a qualified acceptance according to the express terms in which the effect of the check as drawn is varied by the acceptor; and does not the admission of "the existence of the payee and his then capacity to indorse" mean the payee named by the drawer and his capacity to indorse at the time of drawing the instrument? It would seem in view of the law that the acceptance only binds the acceptor to the order of the drawer as drawn, unless he in express terms varies such order, that an acceptance of a check altered as to payee or amount, would not bind the ac-

ceptor to pay the instrument as altered because this would not be according to the tenor of his acceptance nor an admission of the existence of the altered payee, but that the obligation of the acceptor relates only to the bill as drawn, except as he himself qualifies it.

But the Supreme Court of Illinois having held the contrary, the further thought as to a form of acceptance which would safeguard the bank against liability for altered payee or amount and at the same time be free from the criticism that it might be held conditional and affect negotiability, has led to a suggestion of the following form for consideration:—

"Certified, payable according to the tenor of the instrument as drawn by the maker."

This form of certification would seem to carry out the true meaning of the Negotiable Instru-

ments Act as to what certification imports, namely "signification by the drawee of his assent to the order of the drawer" without qualification. Such an obligation could hardly be held to be a conditional promise; it is a promise to pay what the drawer has ordered to be paid and nothing else.

The above situation is presented for the consideration of members of Clearing Houses. The immediate matter of concern is to give consideration to the necessity and desirability of adopting a limited form of certification; it is desired furthermore, that there be cooperation with the Legislative Committees of State Associations in procuring an amendment of the Negotiable Instruments Act which would clearly define the contract of certification and limit it to those things within the banker's knowledge namely, genuineness of signature and sufficiency of funds.

New Banks Organized

ARKANSAS

Smackover—Bank of Smackover. Capital, \$10,000. President, W. W. Brown; cashier, O. B. Gordon.

CALIFORNIA

Brawley—State Bank of Brawley. Capital \$50,000.

Calipatria—State Bank of Calipatria. Capital, \$100,000.

East San Gabriel—The First National Bank. Capital, \$50,000. President, C. C. Threlkeld; cashier, J. A. Threlkeld.

Glendale—Community Savings & Commercial Bank. Capital \$25,000.

Hermosa Beach—The National Bank of Hermosa Beach. Capital \$50,000. President, E. J. Young; cashier, J. W. Leech.

Los Angeles—Federal Trust & Savings Bank of Hollywood. Capital, \$300,000. President, C. E. Toberman; cashier, A. J. Olson.

Maywood—First Bank of Maywood. Capital, \$25,000. President, George W. Myers; cashier, E. A. Moore.

Oakland—Commercial Trust & Savings Bank. Cashier F. B. Richardson.

Porterville—Home Bank. Capital, \$100,000. President, Taylor M. Gronen; cashier, John W. Bridge.

COLORADO

Ordway—Ordway State Bank. Capital, \$25,000. President, A. J. Luneberg; cashier, J. R. Caley.

FLORIDA

Orlando—Church Street Bank. Capital, \$50,000.

Pompano—Bank of Pompano. Capital, \$15,000. President, H. F. Hammon; vice-president, A. P. Anthony.

Reddick—Reddick State Bank. Capital, \$15,000. President, J. M. Smith; vice-president, J. P. Williams.

Tarpon Springs—The First National Bank of Tarpon Springs. Capital, \$50,000. President, Chas. H. Brown; cashier, J. C. McCrocklin.

West Palm Beach—Citizens Bank. Capital, \$100,000. President, R. A. Maxfield; cashier, E. C. Rumsey.

GEORGIA

Lumpkin—The National Bank of Lumpkin. Capital, \$25,000. President, J. S. Morton; cashier, H. J. Peagler.

Reynolds—Citizens State Bank. Capital, \$15,000.

IDAHO

Burley—The Cassia National Bank of Burley. Capital, \$50,000. President, L. L. Evans; cashier, F. W. Sorgantz.

ILLINOIS

Chicago—Montrose Trust & Savings Bank. Capital, \$50,000.

Hoopeston—Hoopeston Trust & Savings Bank. Capital, \$50,000.

Rosemond—Bank of Rosemond. Capital, \$25,000. President, W. O. Wilcox; cashier, C. H. Bonnell.

INDIANA

Elizabethtown—Elizabethtown State Bank. Capital, \$25,000. President, S. D. Alexander; cashier, W. D. Barnes.

Gosport—Olde Gosport State Bank. Capital, \$25,000.

IOWA

Ottumwa—Peoples Trust & Savings Bank. Capital, \$50,000.

Ottumwa—West End Savings Bank. Capital, \$50,000. Secretary, F. Z. Kidd.

Sheffield—State Bank.

KENTUCKY

Ekron—Meade Central Bank. Capital, \$15,000.

Nortonville—Nortonville Bank. Capital, \$25,000. President, J. R. Harrison; vice-president, W. E. Furgeson.

LOUISIANA

Centerville—Teche Bank. Capital, \$25,000. President, James A. Peterman; vice-president, Geo. B. Palfrey.

MASSACHUSETTS

Springfield—Colonial Trust & Discount Corporation. Capital, \$100,000. President, John B. Carleton; secretary, Wayland Warner.

MICHIGAN

Amasa—Farmers & Miners State Bank.

Trufant—Trufant State Bank. Capital, \$20,000.

(Continued on Page 442)

Schedule of Fees for Trust Services

THE Corporate Fiduciaries Association of New York City, has published the following list of fees as approved at meetings of a committee of the whole:

Schedule of Fees for Services Rendered by a Customers' Securities Department

ON SAFEKEEPING ACCOUNTS

1. Regular Security Accounts consisting of mixed securities or entirely of bonds.

1/10 of 1% per annum on par value up to \$500,000
1/15 of 1% per annum on par value on next \$500,000
1/20 of 1% per annum on par value on all over \$1,000,000

2. On accounts consisting entirely or in substantial part of bonds and mortgages.

1/2 of 1% per annum on face value plus \$5 per annum per mortgage for each mortgage in excess of one.

3. On accounts consisting entirely of large blocks of stock.

1/25 of 1% per annum on par value from \$100,000 to \$500,000
1/50 of 1% per annum on par value on next \$500,000
1/100 of 1% per annum on par value on all over \$1,000,000

Note:—On accounts under \$100,000 the schedule under No. 1 should apply.

Note:—In lieu of the percentages on principal under 1 and 3, corresponding percentages based on income may be charged.

4. Foreign securities to be taken up at par of exchange. If foreign securities constitute a substantial part of the account, a special charge can be arranged.
Note:—A minimum fee of \$25 under 1, 2 and 3.

5. Stocks of no par value should be taken at \$100 par value.

In cases where a substantial amount of the account is in stock of no par value, a special rate may be applied, according to the value of the stock.

6. For making disbursements other than purchase of securities or remitting income:

\$10 for 40 checks and 25c. for each additional check per year.

7. For statement of securities:

Two statements of securities per annum included in the regular charge.

For each additional statement furnished—a minimum charge of \$2.50.

SPECIAL CHARGES

(Not for regular safe-keeping accounts)

CLEARANCE CHARGES:—(EXCLUDING BANKS)

1/32 to 1/16 of 1% of the par value of securities, depending upon the size and character of the transaction. Minimum—\$2.00 per transaction.

SPECIAL SERVICES WHERE A SPECIAL FEE SHOULD BE CHARGED

1. Transferring securities belonging to an estate from the name of the de-

ceased to that of the executors or beneficiaries under the Will.

2. Transferring foreign securities.

3. Exchanging temporary for definitive bonds of foreign issues.

4. Exchanging talons detached from foreign stock or bond issues for new coupon sheets.

Corporate Trusts—Initial Fee

If preliminary negotiations are involved,—if there is collateral to be received, if the trust indenture is executed in a large number of counterparts, if the "closing" involves the satisfaction of prior mortgages, the payment of prior issues, or the receipt and payment of outstanding obligations, such as promissory notes, etc., and/or the delivery of certain bonds of the issue against cash or otherwise in accordance with the instructions of the obligor, or, in other words, wherever the opening of the trust has resulted in more work to the trustee than the mere execution of the trust instrument in a small number of counterparts,—there should be charged an initial fee of \$100 or more, the exact amount to be arrived at by an appraisal of the services rendered.

Certification Charges

For the authentication of temporary bonds in large denominations against which trust receipts, interim receipts, or bankers' receipts are issued, or for the authentication of large temporary bonds which are to be used as collateral to a note issue, or a parent company bond issue, for bank loans, which are to be held in the treasury of the company, or otherwise:—\$100 for the first \$1,000,000 par value; \$50 for each \$1,000,000 par value in excess thereof, with a maximum fee of \$1,000.

For the authentication of temporary bonds or notes in small denominations: 30 cents per \$1,000 par value bond or note; 20 cents per \$500 bond or note; 10 cents per \$100 bond or note.

For the countersignature or registration (for identification as to issuance) of temporary or definitive bonds or notes in denominations of \$1,000, \$500 or \$100, 25 cents per signature.

For the issuance of bankers' receipts, interim receipts, or trust receipts, against the deposit of bonds, 50 cents each; against cash, 25 cents each, if cash remains on deposit 10 days or more, otherwise 50 cents. For assorting, listing and cremating banker's receipts interim receipts and trust receipts, and interest warrants detached therefrom, charge the regular cremation rates.

The minimum charge for the certification of an entire issue of bonds or notes should be \$250 except for so-called "real estate" mortgages on single parcels for which the minimum is \$100.

For the authentication of definitive bonds or notes: 50 cents per \$1,000 bond or note; 30 cents per \$500 bond or note; 20 cents per \$100 bond or note.

Annual Fees

(a) For ordinary services as Trustee of unsecured note or debenture issues, where there are no periodic duties other than general to be performed by the Trustee:

On author. issues up to \$50,000, par value, \$50
On authorized issues, 500,000 to \$1,000,000, 75
On authorized issues, 1,000,000 to 3,000,000, 100
On authorized issues, 3,000,000 to 5,000,000, 150
Over 5,000,000, 250

(b) For ordinary services as Trustee of unsecured note or debenture issues, collateral trust, equipment trust indentures, or real estate mortgages, where there are specific duties to be performed each year by the Trustee:

On author. issues up to \$500,000,\$50
On author. issues, \$500,000 to \$1,000,000, 100
On author. issues, 1,000,000 to 2,000,000, 150
On author. issues, 2,000,000 to 3,000,000, 200
On author. issues, 3,000,000 to 5,000,000, 250
On author. issues, 5,000,000 to 10,000,000, 350
On author. issues, 10,000,000 to 15,000,000, 450
Over 15,000,000, 500

(It is to be understood that under indentures providing for the issuance of bonds in two or more series, the same rates will apply to each series as though it were a separate indenture.)

For Holding Stock as Collateral

Minimum annual charge of \$25.

\$100 for the first.....\$1,000,000 par value
50 each on the next... 4,000,000 par value
25 each on the next... 5,000,000 par value
12.50 each on all above 10,000,000 par value

Possible services—Statements to Company and its auditors, vault space, substitutions, collections and disbursements, proxies.

NOTE: If the collateral is all in one piece or very few pieces, or if there is no activity or very little activity in connection with collateral, the above schedule should be cut in half, with a minimum annual fee of \$25.

For Holding Bonds as Collateral

Minimum annual charge of \$25.—1/40 of 1% up to the first \$5,000,000 principal amount per annum.

\$200 for each million on next \$5,000,000 prin. amt.
150 for each million on next 5,000,000 prin. amt.

100 for each million on next 5,000,000 prin. amt.
50 for each million over 20,000,000 prin. amt.

Possible services—Statements to Company and its auditors, cutting and collection of coupons, or cutting, cancellation and delivery of coupons, substitutions, vault space.

NOTE:—If the collateral consists of bonds which have been refunded and are stamped or cancelled—one-half of the above charge should be made, except that the minimum annual charge is to be not less than \$25.00.

For the holding alive in the sinking fund, the above fees should be charged if the coupons are to be cut semi-annually; if the coupons are not to be cut, one-half of the above charge should be made, except that the minimum annual charge should be not less than \$25.

Temporary Bonds and Registered Bonds in large denominations are to be classed as stock and the charge for holding same to be one-half of regular stock collateral charge.

Mixed collateral of bonds and stock to be charged at rate quoted on each class.

For Holding Uncertified Bonds

Bonds held for future certification and delivery excepting bonds held for purpose of exchange for bonds of other denominations, a charge of \$50 for each 500 pieces so held, per annum.

Purchases and Redemption

For the redemption of bonds or notes at maturity, or by call as a whole of the entire amount outstanding, 1/40 of 1% of the principal amount of the bonds or notes redeemed, with a minimum fee of \$25.

For the purchase of bonds or notes for account of the sinking fund by advertising for sealed offerings, or in the open market without advertisement, 1/8 of 1% of the principal amount of the bonds or notes so redeemed on the first \$100,000 principal amount; 1/16 of 1% on the next \$100,000 principal amount; 1/32 of 1% on all over \$200,000 principal amount, with a minimum fee of \$25 for each operation.

For the redemption of bonds or notes by call by lot of part of the issue outstanding, 1/10 of 1% of the principal amount of the bonds or notes so redeemed with a minimum fee of \$25.00.

In lieu of the above fees, funds so to be used in the purchase or redemption of bonds may be deposited with the Trustee without interest from one week to two weeks in advance of the date upon which they will first be subject to use, depending upon the character of the operation involved.

Corporate Agencies—(Transfer Agent (Stock))

(Minimum Charge, per Annum)

Charges are based on (a) number of accounts; (b) number of certificates; (c) number of agencies;
For the issuance of 500 certificates and maintaining of 500 accounts, or any part thereof \$500.00
For issuance of additional certificates, each25
For the maintaining of additional accounts, each50
For furnishing reports of daily transfers to cotransfer agencies, additional charge per agency per annum 200.00
For each out-of-town certificate posted, debit or credit10
For posting out certificates on the closing of a transfer agency or the retiring of stock—per certificate.. .12½

STOCKHOLDERS LISTS

One list is furnished without charge for each class of stock; for additional lists, for each 1,000 accounts 25.00
For additional copies of lists, for each 1,000 accounts 12.50

REGISTRAR (STOCK)

(Minimum Charge, Per Annum)

For registration of 500 certificates .. 250.00
For registering each certificate in excess of 50015
For each co-registrar in other cities .. 125.00
For posting out certificates on the closing of a registrar agency or retiring of stock, for each certificate07½

DIVIDEND DISBURSING AGENT

For each dividend—
1 to 250 checks..... 62.50
251 to 500 checks..... 100.00
501 to 750 checks..... 112.50
751 to 1,000 checks..... 150.00
For each check over 1,000..... .12½

SPECIAL WORK

For addressing envelopes, per 1,000.. 10.00
For addressing envelopes, folding and enclosing one report or circular, including stamping envelopes, mailing, etc., per 1,000 20.00
For addressing envelopes, folding and enclosing more than one enclosure, stamping envelopes, mailing, etc. .. 25.00
If duplicate names of holders of more than one class of stock are to be eliminated, an extra charge of 25% is to be made.
Other special services by appraisal.

TRANSFER AGENT (BONDS)

Principal only
Minimum charge (per annum).... \$50.00
For each bond registered or transferred in excess of 100 bonds in any one year30
Principal and interest
Minimum charge (per annum) ... \$100.00
For each bond issued in excess of 200 in any one year50

FEES FOR PAYMENT OF COUPONS OR REGISTERED INTEREST

¼ of 1% of amount involved, or no charge if given 30 days free use of the funds.
½ of 1% of amount involved in case of municipal issues, or no charge if given 15 days' free use of the funds.
In each case, there should be a minimum fee of \$10 per annum.

FOR ACTING AS FISCAL AGENT TO MAKE RETURNS TO INTERNAL REVENUE COLLECTOR

1/16 of 1% of the amount involved, in addition to the coupon payment fee.
Where the Bank or Trust Company acts as both Coupon Paying Agent and Fiscal Agent there should be a minimum charge of \$25 per annum.

Note:—The cost of all stationery such as binders and ledger sheets, transfer and registration sheets, window receipts, checks, paper used for lists, etc., and disbursements, such as postage and insurance, are to be added to the regular charges for services as Transfer Agent or Registrar.

New Banks Organized

(Continued from Page 440)

MINNESOTA

Minneapolis—Sixth Avenue State Bank. Capital, \$25,000. President, Chas. B. Mills; cashier, A. O. Leuzinger.

MISSISSIPPI

Fulton—Itawamba County Bank.
Greenwood—Security Bank & Trust Company. President, D. A. Linthicum.

MISSOURI

Kansas City—The Continental National Bank and Trust Company. Capital, \$500,000. President, W. P. Hemphill; cashier, J. C. Williams.
West Plains—Union State Bank. Capital, \$35,000.

NEW JERSEY

Cranford—The First National Bank. Capital, \$100,000. President, John E. Fisher; cashier, Frank G. Newell.

Jersey City—Bergen National Bank of Jersey City. Capital, \$250,000. President, John Warren; cashier, G. E. Bailey.

Montclair—The Montclair National Bank. Capital, \$100,000. President, Reginald H. Creyk; cashier, W. R. Prall, Jr.

Paterson—Riverside Trust Company. Capital, \$100,000.

Weehawken—Park Trust Company. Capital, \$100,000.

Wyckoff—The First National Bank of Wyckoff. Capital, \$25,000. President, John B. Zabriskie; cashier, Richard E. Lawlin.

NEW YORK

New York—The Rockaway Beach National Bank. Capital, \$200,000. President, John Jamieson; cashier, George Bender.

Port Morris—Port Morris Bank. Capital, \$100,000.

Sheepshead Bay—Bank of Sheepshead Bay. Capital, \$100,000.

NORTH CAROLINA

Pineville—Merchants & Farmers Bank. Capital, \$15,000. President, W. B. Meachum; cashier, L. E. Downs.

NORTH DAKOTA

Cogswell—Bank of Cogswell. Capital, \$15,000. President, W. S. Lauder; cashier, L. P. McAneney.

Donnybrook—First National Bank. Capital, \$25,000. President, Julius Rosholt; cashier, Fred M. White.

OHIO

Ravenna—First Savings Bank & Trust Company. (Succeeding Ravenna National Bank.) Capital, \$125,000. President, R. B. Carnahan; secretary, F. L. Shahl.

Wellston—Milton Banking Company. Capital, \$100,000. President, Ed. T. Evans; cashier, Clark B. Cleveland.

OKLAHOMA

Clarita—Farmers State Bank. Capital, \$10,000. President, T. A. Bryan; cashier, D. K. Snyder.

OREGON

Vale—The Vale National Bank. Capital, \$50,000. President, H. R. Dunlop; cashier, Ralph A. Holte.

PENNSYLVANIA

Boyers—State Bank of Boyers.
Freeport—Freeport Trust Company. Capital, \$25,000.

Millvale—Keystone Bank of Millvale. Capital, \$50,000.

Noxen—Tanners Bank. Capital, \$25,000. President, W. B. Bailey; cashier, Clarence Boston.

(Continued on Page 453)



OPINIONS OF THE GENERAL COUNSEL



THOMAS B. PATON
General Counsel

Attachment of National Bank Stock

While a national bank cannot acquire a lien upon its stock for indebtedness of a stockholder nor prevent transfer of the stock, it can attach the stock for his indebtedness; but if the stock has been transferred by indorsement and delivery, to a bona fide transferee, though not transferred on the books, the rights of such transferee would be superior to those of the bank as attaching creditor.

From Arizona—We had in the employ of this (national) bank a man who was acting as vice-president and director. This man left the employ of this bank, the bank holding notes which are due from this employee in the sum of \$2600. As a director it was necessary for him to own ten shares of stock unpledged. The notes are due and this debtor claims he is unable to pay the indebtedness, not denying the debt itself. He refuses to make disposition of the stock for the protection of the bank, claiming that it belonged to his sister of whom he borrowed the money to pay for the stock. The stock remains in his name on the books of the bank and we have received no notice of pledge or request of transfer.

Can the bank attach the stock? What procedure should be followed to obtain the stock for the protection of the note? Can the attachment be enforced as against a claim that might be set up that this stock was in the hands of an innocent third party? Should the notes now held by the bank be sold to an individual and suit be brought in the individual's name and the stock sold under a judgment, if obtainable?

Under Section 5201 United States Revised Statutes, which prohibits a national bank from making a loan upon the security of its own stock, and from purchasing or holding such stock unless necessary to prevent loss upon a debt previously contracted, it has been held that a national bank cannot acquire a lien on its own stock nor prohibit transfer of the stock by a stockholder who is indebted to it. *Bank v. Lanier*, 11 Wall. 369; *Bullard v. National Bank*, 18 Wall 589. It has been held, however, that this section does not forbid the shares of the

stockholder to be attached for his indebtedness to the bank. *Hagar v. Union National Bank*, 63 Me. 59. It has been held that there is nothing in the Constitution or the laws of the United States which forbids the seizure or sale under the state law of stock in a national bank (*Braden's Estate*, 30 Atl. (Pa.) 746) and such shares of stock may be sold on execution where such sale does not interfere with the operation of the bank as a Government agency. *Oldacre v. Butler*, 23 So. (Ala.) 3.

It would seem that your proper procedure therefore, would be to bring an action against your stockholder for the amount of his indebtedness to you and attach the stock or cause it to be levied upon in the execution of a judgment. The stock, you state, remains in his name on the bank's books and if the stock is still owned by him at the time of the levying of an attachment or execution, it can be subjected to payment of your claim.

If, however, the stock belongs to another or if he has transferred same to an innocent purchaser, the attachment or execution would not avail because an attaching creditor takes no greater rights than possessed by the debtor.

In some states, and I believe, by statute in Arizona, a transfer of stock upon the books of the company, is essential to protect a transferee against a *bona fide* creditor without notice, who attaches the stock as the property of the person in whose name it stands on the company's books. But the statutory rule in the majority of the states is that a transfer is valid against creditors though not entered upon the books. The state statutory provision would not apply, however, to national bank stock and under decisions of the United States Supreme Court, I believe that the transfer of national bank shares carries full title to the transferee, without the necessity of book

transfer. *Johnston v. Laflin*, 103 U. S. 600; *Cecil National Bank v. Watsonstown Bank*, 105 U. S. 217.

If, therefore, the stock in question, although standing on your books in the name of the stockholder who is indebted to your bank, has been transferred by indorsement and delivery to an innocent purchaser for value, or really belongs to the sister of your stockholder, you cannot subject it, through attachment, to payment of his debt; but if it is still the property of the indebted stockholder, it can be so subjected by attachment.

Discount of Unindorsed Note With Guaranty

A bank discounting a note for the payee, unindorsed by the latter, but with separate guaranty of payment, acquires the instrument subject to the maker's defense against the payee, if any, and such form of transaction would not seem as desirable, from the bank's standpoint, as one requiring the payee's indorsement upon the note, in which case there would be full recourse against both maker and payee in event of non-payment, unless in any case the bank is satisfied with the credit of the payee and does not rely on the credit of the maker.

From New York—A note presented for discount, by a large corporation, carries no indorsement by payee, on the instrument itself, but attached to note is a complete description of the obligation, with payee's signature, guaranteeing payment to discounting bank, in full, in case of default of maker.

Is this form of indorsement considered binding in all states, and would you consider it as legally binding, as if the indorsement formed part of the instrument?

So far as recourse upon the corporation payee is concerned, the bank could hold it liable upon its guaranty of payment, in case of default of the maker of the note equally as if the corporation had indorsed the note. As indorser of the note, the corporation would be

liable provided there was due demand and notice of dishonor while under its guaranty it would be liable upon non-payment without the condition that the necessary proceedings upon dishonor were duly taken by the bank.

But with respect to recourse upon the maker of the note, the delivery of an unindorsed note with guaranty of payment by the payee would not be as advantageous to the bank as the taking of the note under indorsement of the payee. If the note were indorsed to the bank before maturity, it could enforce same against the maker free from any defense that the latter might have against the payee corporation while a transferee of a note without indorsement would take the note subject to the maker's defense against the payee, if any.

The taking of a note by regular indorsement, therefore, would give the bank recourse, in case of non-payment, both against the maker and indorser, while the taking of the unindorsed note with guaranty of payment, would give recourse against the payee upon its guaranty, but not against the maker if he had any defense available against the payee. The form of transaction you submit, therefore, of an unindorsed note with guaranty would not seem as desirable from the bank's standpoint as if the indorsement of the payee was on the instrument, unless the bank is fully satisfied with the credit of the corporation payee and does not rely upon the credit of the maker of the note.

Set Off by Bank of Stopped Check

A gave his check to B which was purchased by a bank. A stopped payment of the check. A also carries an account with the purchasing bank which desires to know whether it has recourse against A upon the check and whether it can charge it up to the maker's account.

Opinion: The bank as holder in due course has recourse against A upon the check free from any defense available against B and the check being a liquidated demand can be set off by the bank against A's account.

From Florida—We cashed a check

on August 1 for \$275, knowing both parties, for Mr. A. who is in business in our town and carries an account with us, the check being made payable to Mr. B. This check was drawn on another bank in this town with whom A also has an account. The check was returned to us having been stopped by the maker.

Question No. 1: Have we a legal right, being an innocent third party, to charge this check up to the maker, who carries an account with us?

Question No. 2: If we do not have the legal right to charge this check up to the maker, have we a right to recover from the maker or must we look to the drawee?

Taking up your second question first, the bank as innocent purchaser of a stopped check is a holder in due course under Section 52 of the Negotiable Instruments Act and as such, under Section 57 "holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon."

Your bank, therefore, has undoubted recourse against the maker of this check; but not against the drawee, because under Section 189 of the Negotiable Instruments Act a check is not an assignment "and the bank is not liable to the holder unless and until it accepts or certifies the check."

Having recourse against the maker of the check, your further question is whether, the maker also carrying an account with your bank, you have the right to charge this check up against his account; in other words whether you can set off his indebtedness upon the check against your indebtedness to him on the account.

While the general rule is unquestioned that a bank may look to deposits in its hands for the repayment of any indebtedness to it on the part of the depositor and may apply the debtor's deposits on his debts to the bank as they become due, yet the rule is stated that the right of set-off exists only where the claim of the bank is certain, definite and liquidated, or capable of liquidation by calculation, without the intervention of a jury to estimate the sum. *Tallapoosa County Bank v. Wynn*, 173 Ala. 272, 55 So. 1011; *McEwan v.*

Davis, 39 Ind. 109. The rule has been thus stated: The claims set off must be certain, *i. e.* either already reduced to precise figures, or capable of being liquidated by calculation without the intervention of a jury to estimate the sum. *Wilmot v. Hurd*, 11 Wend. (N. Y.) 584; *Thompson v. Redman*, 11 M. & W. 487.

In *Commercial State Bank v. Van Hutton*, 208 S. W. (Tex.) 363, the court said: "If a party seeks to off-set one promissory note against the other, either note may be disputed; but each being certain in amount, one may be set-off against the other."

In the case submitted your bank is indebted to your customer for his deposit and the customer is indebted to your bank upon a check for a certain sum which your bank has acquired as an innocent purchaser. The customer may have some defense to make payment good against the payee but such defense is not available against a holder in due course. It would seem under the authorities that the bank would have a right of set-off in such case; in other words it would have a right to apply the deposit of its customer towards payment of his indebtedness to the bank upon the check.

Rights of Holder in Due Course of Stopped Check

"A" gives his check to "B" in payment for an automobile. "B" negotiates the check for value to a bank. "A," learning that the automobile was mortgaged, stopped payment. The bank seeks to recover from "A." The transaction is governed by the law of Illinois.

Opinion: Under the Negotiable Instruments Act, the bank is holder in due course of the stopped check and can enforce payment from "A" free from his defense of fraud against "B." While Section 57 of the Negotiable Instruments Act defining the enforceable rights of a holder in due course has been amended in Illinois to permit the defenses of fraud and circumvention even against a holder in due course, such fraud and circumvention it has been held must relate to the execution of the instrument rather than to the consideration for which it is given and the excep-

tion, therefore, does not apply to the present case and the bank has full enforceable rights against "A" free from his defense against "B."

From Illinois—On August 9th, we cashed a check under the following circumstances:

The drawer "O" and payee "W" came into the bank together and went to the check desk where "O" drew his check for \$225 on The F. & M. Bank of another town, where he had an account, payable to the order of "W." "W" then indorsed the check; together they stepped to the paying teller's window and "W" presented the check for payment and same was paid by us to "W."

The maker of the check and the payee were both known to us and we had no hesitancy in cashing it inasmuch as we consider the maker of the check responsible and there being no question concerning the identification of the parties.

After taking the check in due course, we forwarded it through the usual channels for collection and it was returned to us on account of payment having been stopped by "O." I immediately got in communication with "O" in order to effect a settlement of the check and he informs me that the check was given for the purchase of a Ford automobile and after the check had been cashed by us and previous to its being presented at the bank on which it was drawn, he, "O," discovered that the car which he had bought was covered by a chattel mortgage, said mortgage being given to "M" of another town, in the amount of \$250, whereupon "O" stopped payment of the check and refuses absolutely to refund us the money which we paid to "W" on the check in his presence.

I am advised by the F. & M. Bank that "O" has sufficient money on deposit to cover the check.

"W" is irresponsible, has no property of any kind and his present whereabouts to us are unknown.

Would be pleased to have your opinion on legal status of this matter and proper course to pursue to recover our money and any further information you may be able to give us which will enable our attorney to more vigorously prosecute this case.

The bank in this case was a holder in due course of the check which it purchased from the payee under Section 52 of the Negotiable Instruments Act and under Section 57, in states other than Illinois, would have full enforceable rights against the drawer free from any defense which he might have against the payee.

But in Illinois the Uniform Section 57 has been changed to read (words in Roman are the Uniform Section and words in italics were inserted by the Illinois Legislature):

Section 57. A holder in due course holds the instrument free from any defect of title of prior parties, and free from defenses available to prior parties among themselves *except the defect and defense specified in Section 10 of act entitled "An Act to revise the law in relation to promissory notes, bonds, due bills and other instruments in writing," approved March 18, 1874, in force July 1, 1874, and except the defect and defense specified in Sections 131 and 136 of an act to revise the law in relation to criminal jurisprudence, approved March 27, 1874, in force July 1, 1874, known as sections 131 and 136 of Chapter 38 of the Revised Statutes of Illinois*, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon.

Section 10 of the act approved March 18, 1874 reads:

"If any fraud or circumvention be used in obtaining the making or executing of any of the instruments aforesaid, such fraud or circumvention may be pleaded in bar to any action to be brought on any such instrument so obtained, whether such action be brought by the party committing such fraud or circumvention, or any assignee of such instrument."

The question therefore arises whether the defense of the maker of this check, that he had discovered that the automobile for which the check was given in payment was covered by a chattel mortgage, is available against the bank as a holder in due course?

Under the judicial interpretation of Section 10 it is well settled that the fraud which will invalidate a negotiable instrument in the hands of a *bona fide* purchaser before maturity and without notice must be such fraud as relates to the execution of the instrument, and not to the consideration for it. *Connolly v. Dammann*, 232 Ill. 175; *Martina v. Muhlke*, 186 Ill. 327. In this case the court said: "It cannot be said that the execution of these notes was procured by fraud or covin, in the sense that would make the notes invalid. Plaintiff in error executed the notes with full knowledge of just what they were, and there was nothing in the exe-

cution of them which could operate to bring them within the rule, which applies only to instruments, execution of which is obtained by fraud. The fraud necessary to thus invalidate must be fraud in obtaining the execution of the instrument." See also *Ensign v. Lehmann*, 192 Ill. App. 578; *Cartinhour v. White*, 157 Ill. App. 431; *Sinnickson v. Richter*, 140 Ill. App. 212; *Freehold Bank v. Kennedy & Co.*, 148 Ill. App. 310; *Yeomans v. Lane*, 101 Ill. App. 228; *Oregon v. Jennings*, 119 U. S. 74.

In the last cited case the Supreme Court of the United States thus construes this statute:

"No fraud or imposition was practiced on Potter or Marsh to induce them to sign these bonds and coupons. They knew what they were signing, and signed intentionally. The fraud or circumvention intended by the statute, which only embodies a rule of the common law, is not that which goes merely to the consideration of the instrument, but it must go to the execution or making; and there must be a trick or device by which one kind of instrument is signed in the belief that it is of another kind, or the amount or nature or terms of the instrument must be misrepresented to the signer. No different ruling as to the statute has ever been made by the supreme court of Illinois, especially in a case where, as here, the holder of the instrument is a *bona fide* holder of it, before maturity, for a valuable consideration, without notice. In *Latham v. Smith*, 45 Ill. 25, decided in 1867, in construing this statute the court said: 'A fraud in obtaining a note may consist of any artifice practiced upon a person to induce him to execute it, when he did not intend to do such an act.

"Circumvention seems to be merely, if not quite, synonymous with 'fraud.' It is any fraud whereby a person is induced by deceit to make a deed or other instrument. It must be borne in mind that the fraud or covin must relate to the obtaining of the instrument itself, and not to the consideration upon which it is based. It is not fraud which relates to the quality, quantity, value, or character of the consideration that moves the contract, but it is

such a trick or device as induces the giving of one character of instrument under the belief that it is another of a different character,—such as giving a note or other agreement for one sum or thing, when it is for another sum or thing; or as giving a note under the belief that it is a receipt.' This ruling was followed in *Shipley v. Carroll*, 45 Ill. 285; *Elliott v. Levings*, 54 Ill., 213; and *Maxcy v. Williamson Co. Ct.*, 72 Ill. 207."

In the case submitted there was no fraud practiced by the payee upon the maker to induce him to sign the check in the belief that he was signing another or different kind of instrument. The fraud consisted in selling an automobile to which the seller could not give a clear title. It related to the consideration for which the check was given rather than to the execution of the instrument. It would seem under the interpretation of the Illinois statute that such a defense of fraud would not be available to the maker of the check as against a holder in due course and that the bank, under Section 57 of the Negotiable Instruments Act would have full enforceable rights against the maker.

Debts Secured by Collateral Note

A bank received from A his note, secured by collateral, deposited for payment of such note and "any other liability or liabilities of the undersigned to the holder hereof, due or to become due, or that may be hereafter contracted, whether direct or contingent and whether now or hereafter acquired." The bank also owns the note of a corporation upon which A is indorser.

Opinion: The bank can hold the collateral, after payment of A's note, as against his liability upon the corporation note.

From Pennsylvania—Our collateral note, a copy of which we enclose herewith, contains a provision that the collateral is liable for any other liabilities of the maker to the holder whether direct or contingent, etc. One of our customers is the maker of a note with us with ample collateral and is the indorser on the note of a corporation of which he is president, which is not secured by collateral. In the event that he pays his collateral note and demands the return of the collateral, does our note give us the right to refuse his

demand, and to hold the collateral until the corporation note on which he is indorser is paid? We believe the corporation note is good but they are slow in getting a new statement to us, although they state they are willing for us to have it.

The clause in the note submitted provides that the described collateral is delivered

"As collateral security for payment of this or any other liability or liabilities of the undersigned to the holder hereof, due or to become due, or that may hereafter be contracted whether direct or contingent and whether now or hereafter acquired."

The question is whether, after payment of the debt evidenced by the collateral note, the collateral can be held by the bank as security for the note of a corporation upon which the maker of the collateral note is indorser.

The collateral may be so held.

In *Mulert v. National Bank of Tarentum*, 210 Fed. 857, one S made his collateral note to a Pittsburgh bank reciting the deposit of collateral

"For payment of this or any other liability or liabilities of the undersigned to the holder hereof, now due or to become due or that may be hereafter contracted."

This note came by transfer with the collateral to another bank which also owned a note upon which S was liable as indorser. When S was adjudged bankrupt, the bank applied the collateral to the note originally owned by the Pittsburgh bank and claimed the right to apply the residue to the note on which S was liable as indorser, although such note was never owned by the Pittsburgh bank. The only question in the case was as to the meaning and scope of the word "holder," the contention of the trustee of S being that the liabilities secured by the collateral were those running only to the Pittsburgh bank, the original holder, and not to the transferee. The court upheld the right of the bank to apply the residue of the collateral upon the note on which S was indorser. There was no question but that the words "other liability or liabilities of the undersigned" included liability as

indorser of the note of another.

A further case arising out of this same bankruptcy is *Torrance v. Third National Bank of Pittsburgh*, 210 Fed. 806. A collateral note similar to that in the previous case was executed by S and G and created a joint liability. The note was given to a Pittsburgh bank and the collateral deposited was jointly owned by both. The Pittsburgh bank transferred the note and collateral to another bank which also owned certain notes of a corporation indorsed by G and S individually and successively. In this case, the court held that the individual liability of the indorsers of the corporation notes was not covered by the jointly owned securities pledged for the protection of their joint note; that the other liabilities referred to were of the same character as the joint liability and that the natural inference from the words "liabilities of the undersigned" was that the jointly owned securities were pledged only for the joint liability of the two makers. The court distinguished the *Mulert* case saying that case concerned an individual and not a joint note and presented a different question.

The collateral note owned by you is an individual note of the maker and not a joint note so that the decision in the *Torrance* case does not apply. The note not only expressly provides that the collateral is deposited as security "for the payment of any other liability or liabilities of the undersigned to the holder hereof, due or to become due, or that may be hereafter contracted," which language is similar to that in the notes in the cases cited, but further provides "whether direct or contingent" which puts in express language the agreement that the liabilities covered are not only a direct liability as maker but also a contingent liability as indorser. It would seem to follow that your bank, after payment of the debt evidenced by the collateral note on which your debtor is liable as maker, can hold the collateral upon the note of the corporation upon which he is liable as indorser.

Booklets for Every Bank

By R. DANA SKINNER

WHEN and why should a booklet be used? This is perilously like asking when and why should a man speak. Reasons multiply rapidly. There comes a time, even in the smallest banking community, when the banker cannot speak personally to all his depositors. Then the booklet looms usefully on his widening horizon. It is not a thing in itself—it must be a part of himself. Like his personal conversation, it will seek to create an opinion favorable to the bank, its personnel, its ideals, the policies it pursues, the particular industries it supports or the bonds which it recommends.

What idea should dominate the booklet? I do not mean the subject matter, but the way it is presented. Perhaps the best answer would spring from definite examples.

A small bank, let us say, wishes to establish a friendly personal relationship with its community. It might attempt this by issuing an occasional booklet about itself and its officers, its "functions and facilities." This is the all-too-prevalent way. Or, it might issue an occasional timely booklet—possibly of only four pages—about the community itself, and its outstanding interests and personalities. The first type of booklet talks about the bank's good will; the latter proves it by talking about others and by taking a tangible printed interest in others. In this spirit, though on a larger scale, a New York institution which finances a large percentage of our cotton exports, issued a highly interesting booklet on the entire United States cotton industry. This was tangible evidence of its real interest in the affairs of one of its largest groups of depositors.

Another example—a bank has felt obliged to take an unpopular stand in not backing certain local enterprises. It can, in a booklet, explain its stand defensively—again the self-centered motive—or, it can publish a vigorous constructive argument for a better channel of community effort. This displaces prejudice by a creative idea. It

evidences leadership in a practical and interesting way.

Or again—the bank with a bond or securities department has an excellent opening to follow up in brief, pungent bulletins the facts about industries whose securities it has helped to underwrite or distribute. A bond customer cannot but be pleased to see the bank's interest sustained even after the bonds are off its shelves. This creates a confidence which facilitates future sales. The older method of confining circulars to the date of issue has ceased to measure the full responsibility of a bank.

The next pertinent question is, how can booklets and bulletins be written and distributed so as to attain maximum effect? The writing and distribution of booklets are inter-dependent. This is frequently forgotten until the booklet is in type; and the oversight is very costly. It can even nullify the greatest potential value of the pamphlet.

A well written booklet—no matter what the subject—should yield abundant opportunity for capitalization in at least three out of four major ways.

It should have news value, so as to receive mention in the local press. It should have complimentary value, so as to make plausible an advance distribution to certain influential persons or groups. It may often have statistical value to give it a permanent place in business offices. It must always have a general good-will value through maintaining at all times the point of view of the readers rather than the self-praise of the issuing bank. If the booklet is planned to have three or all of these values, its effective distribution becomes much easier. It ceases to be mere advertising matter; it contributes something helpful to the community; it commands attention through merit, and respect through lack of egotism.

The creation of these values in a booklet is to a degree a matter of expert planning and writing. But it might be of some interest to analyze the sources from which

these values are apt to spring.

Take, for example, that illusive quality called "news value." It has no real mystery. The prestige of the bank itself lends news value to any statement it sponsors. The newness of the facts or opinions presented, the inherent timeliness of the subject discussed, the unusual vigor and skill with which the bank sustains some special or novel idea, plan or policy—all these points contribute news value.

Complimentary value is one of those hidden assets of a well planned booklet which may go very far to achieve the bank's main object. For example, the printed reference by name to an individual or group known to be working for the same objects as the bank itself—perhaps to have a new state traffic road constructed—will often clinch the immediate active cooperation of that individual or group and likewise the permanent good-will.

Whether or not a booklet can achieve statistical value will depend on its whole character and object. A booklet describing a paper mill might well present some conveniently arranged facts on the paper industry as a whole which would give it wider value and permanent importance for business reference.

Good-will is the least tangible of all the values and, of course, the most important. Wherever possible, bank booklets should try to leave the reader with the impression that they have helped him in one of his real problems—how to manage his estate, how to vote on a community issue, how to help some civic project, how to rescue profits from an uncertain stock or commodity market, whether or not to hold a recently purchased bond, how to start an export business, how to finance foreign shipments, how to estimate the business cycle, or, more intimately, how to set up a balanced family budget in the type of community the bank serves.

It would hardly be true to say that these are random suggestions about bank booklets. They have a definite relation to the study which many alert banks have long given this subject.

The Condition of Business

AS the various statistical reports appear, it is becoming increasingly evident that October was a month of remarkable activity in business and trade throughout the United States.

In the field of industrial production, new records for the year were made. The output of pig iron was 2,637,000 tons, the largest month's production since 1920. The increase over September was the largest month to month increase since March, 1918. Buying by railroads, and automobile companies is largely responsible for the gain.

Another record for the year was made in the activity of cotton mills, as measured by the amount of cotton consumed in making thread and cloth. October consumption was 534,000 bales, exclusive of linters, a larger amount than was consumed in any other single month since June, 1920.

The production of anthracite coal was nearly twice the September total and not far below what may be thought of as normal production. Bituminous production was also larger than in September and well ahead of consumption; so that the stocks of coal in the hands of commercial consumers, as reported by the Federal Fuel Distributor, are noticeably larger than they were a month ago. The stocks on hand for the past 3 months have been as follows:

September 1	22,000,000 tons	17 days supply
October 1	28,000,000 " "	22 " "
November 1	35,000,000 " "	27 " "

Prices of coal continued to be lowered somewhat. Copper, tin, zinc, petroleum, and cement were other commodities showing increased production in October.

Wholesale and Retail Trade

Not only in the field of production but also in distribution, October proved an exceptionally active month. Wholesale trade was excellent, and retail trade was active. A particularly encouraging feature of trade was a marked recovery in the demand for goods from the West and South, reported both by wholesalers and retailers. The total sales of three great mail order houses, Montgomery Ward, Sears Roebuck, and the National Cloak and Suit Company, were 24 per cent. larger than in October, 1921.

Higher Prices of Farm Products

These evidences of a more prosperous condition in the farming districts of the country may be traced directly to a more adequate return to the farmer for his products this year than last. From the middle of September to early in November, the prices of both wheat and cotton rose nearly thirty per cent. Wheat (number 2 red, Chicago) jumped from about \$1 to \$1.29, and spot cotton from about 20 to 26 cents. Eggs and dairy products have moved upward vigorously in price. When the gain in prices of corn, and other grains is

taken into account together with the good volume of the year's production, it becomes clear that the return on this year's crops will be not far from \$2,000,000,000 larger than last year.

It is true that there has been some increase in the prices of certain articles which the farmer must buy, but on the other hand, for purposes of paying interest, or rent, or repaying borrowings, this year's dollar is just as big as last year's, and the good return this year will do much to pull the farmer back towards a better economic status. Prices of farm products remain lower, relative to pre-war prices, than are prices of other commodities, but the situation is at least improved.

Price Level Higher

In general an upward movement of prices accompanied the active production and distribution of goods in October. Fuel prices were the chief exception to the movement, and late in the month prices of pig iron were off somewhat. But most other groups advanced. The Department of Labor index number, which is the best index of the general level of wholesale prices, moved from 153 to 154, (1913 average = 100 per cent.) Bradstreet's index, on the other hand, which is made up from fewer commodities and is more volatile, rose nearly 7 per cent., the largest increase since the war period.

Cost of Living Starts Up

Prices of basic commodities began creeping upward more than a year ago, when the recovery from the extreme low point of the industrial depression began. This increase has continued ever since, and has gradually spread to other kinds of commodities. The past two months have been the first, however, when the retail prices entering into the cost of living felt the increase.

Of course, a 30 per cent. rise in wheat and cotton is almost sure to be reflected eventually in higher prices of food and clothing. But retail prices are slow to respond to wholesale price movements. The latest increase in the cost of living figure, which is announced each month by the National Industrial Conference Board, is a gain of 1.7 per cent. from August 15 to October 15. The latest level and the changes in the past two months in the different groups making up the index have been as follows:

Item	COST OF LIVING (National Conference Board)		% Change
	Aug. 15	Oct. 15	
Food	139	143	+2.9
Clothing	153	157	+2.6
Shelter	165	165	0
Fuel and Light	181	187	+3.3
Sundries	172	172	0
All Items	154.5	157.1	+1.7

Recent changes are illustrated by the two accompanying charts prepared by the Federal Reserve Bank of New York.

Wages and Employment

Along with increased production, and higher prices, has gone largely increased employment, and a more marked tendency than in the past few months toward a shortage of labor, particularly of unskilled labor. A survey of the United States made by the United States Department of Labor shows that between October 1 and November 1, employment increased in 12 out of 14 major industries. In 56 out of 65 cities reporting, there were gains in employment. The various reports indicate that the number of persons employed in industries in the country is now somewhat in excess of the number in 1914, but is not as large as in the war period, or in 1920. It seems curious that we should now be experiencing a shortage of labor for industrial plants, when the number employed is still smaller than in the war years. The situation may be partly explained by the absorption of many workers in garages, miscellaneous trades, and in the distribution of goods. For two years, the increase in the labor supply from immigration has been almost entirely cut off. In fact, a computation made by the "Index" published by the Associated General Contractors of America, shows that during the 13 months to July 31, 1922, the net addition to the population through immigration was almost entirely in non-workers, and that in the 13 months 65,000 more laborers left the country than came in. Thus the supply of common labor lost rather than gained through immigration.

The shortage of labor is important not simply as an indication of renewed industrial activity, but as a possible limiting factor on further industrial expansion. Wages have risen as the shortage has increased, adding largely to the cost of production. A good many industrial concerns have, moreover, found it difficult to secure the workers they need. The labor shortage is one element in the industrial situation which is being watched with great care by industrial leaders.

Car Shortage

A second possible limiting factor in the expansion of industry is the shortage of transportation facilities. During the past month, this situation has undergone two changes.

In the first place, the volume of traffic has been exceptionally heavy, and the peak of fall traffic was reached a week or two later than is usually the case. This is illustrated by the following figures for car loadings for the past three years. In 1920 and 1921 the heaviest volume of traffic took place about the middle of October, while this year it was not reached until the final week, and for some weeks loadings have been larger than the heavy loadings of 1920.

These heavy car loadings resulted in an increased shortage of freight cars as the month of October progressed, so that by October 30, the requisitions for

cars were 180,000 larger than the available supply. Early in November, a movement began in the other direction. With slightly smaller traffic, and increased efficiency in handling cars, the shortage was slightly reduced by the end of the first week in November.

CAR LOADINGS—(Millions of cars)

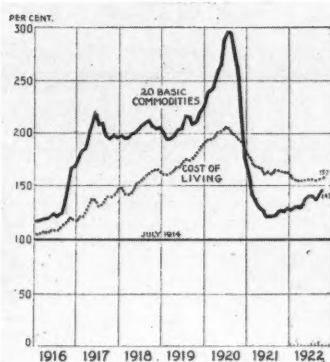
Week ended	1920	1921	1922
October 7	1,012	900	968
14	1,019	911	983
21	1,009	965	1,004
28	981	951	1,014
November 4	916	838	995
11	928	756	954

Gradually increased efficiency in handling freight during the fall is indicated by the latest operating figures which are for the month of September. These indicate that the average freight car load was increased from 25 tons in July to more than 27 tons in September, and the average daily car movement from 21 miles in July to more than 24 miles in September. There has, moreover, been a steady reduction in the number of cars and locomotives awaiting repairs.

In judging the seriousness of the car shortage situation for the future, it is well to bear in mind that freight traffic normally decreases rather steadily during the late fall, and that still further progress may be made in the efficient loading and routing of cars. The fact that the railroads have been able this fall to handle shipments practically equivalent to the 1920 volume without any more serious difficulty than has been incurred, is encouraging.

Money and Credit

The exceptionally active business of October was reflected in rising interest rates, some expansion of the volume of money in circulation through additional issues of Federal Reserve notes, and increases in bank loans. Between the first of September and early November, the interest rate on prime commercial paper in the open market rose from 4 per cent. to 4¾ per cent. In the early weeks of November, however, interest rates have remained steady, and there has been little further increase in note circulation or bank loans. In fact, looking back over the period of twelve to fourteen months during which business has been recovering from the low point of the depression in 1921, the surprising thing is that expanding business, and rising prices have had so little influence on the credit situation. This may be explained partly by the fact that continued liquidation of loans has partly offset needs for new funds, and also partly by the fact that business is now being done on a conservative basis. Dealers are slow to make commitments for the future. Department stores, for example, are carrying much smaller stocks in relation to their sales than is usually the case. There has been some tendency recently for merchants to purchase more freely, but it remains true that business is being done without as much call for credit as usual.



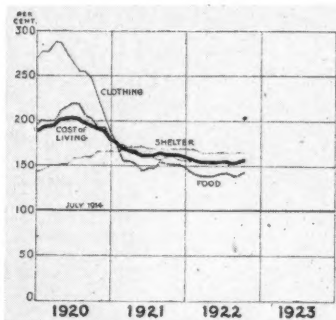
Cost of Living

Is There Inflation?

Because of the recent increases in prices, and some increase in bank loans, it is sometimes said that we are entering a period of inflation. The difficulty seems to be in securing an adequate definition of what inflation means. Strictly interpreted, inflation is an extension of credit or currency which is not justified by the activity of business. The fact appears to be today, that the activity of business is running ahead of the expansion of credit or currency, rather than behind it. With the vast credit resources now at the country's command, the danger of inflation, of using more credit than is warranted by an actual production and transfer of goods, is great. The large imports of gold also offer a continual temptation to expansion. It is the wisdom or lack of wisdom in the use of these credit facilities, which determines whether we have inflation or not, and at present, the attitude of business, with some outstanding exceptions, appears to be wisely conservative.

Treasury Finances

From the point of view of the banking interests of the country, one of the most interesting developments of the past weeks was the successful sale of the offering by the Treasury Department of a sum of \$750,000,000 long term 4¾



Food, Shelter, Clothing

per cent. bonds. The issue was well oversubscribed, and carries to a still further stage the Treasury's program for refunding the short-dated debt. In May, 1921, the Treasury faced the problem of meeting maturities consisting mostly of Certificates of Indebtedness, and Victory Notes, amounting to \$7,500,000,000. This problem has gradually been largely met by 6 issues of Treasury notes, and the latest issue of long term bonds. In each case, the securities have been sold without any marked disturbance to the money market, and at rates favorable on the whole to the Government. One notable feature of the new issue was the large proportion of the cash subscriptions which were for sums of \$10,000 or under. The total amount of bonds allotted of this size was more than \$325,000,000. This large subscription for bonds of comparatively small amounts may be taken, along with large sales by department stores, and increased earnings in industry, as a sign of a wide-spread distribution of purchasing power throughout the population of the country.

Automobile Purchases

A continued heavy manufacture of automobiles carries with it further implication of wide-spread individual prosperity. From the production figures thus far available for 1922, it is estimated that the total production of automobiles and trucks this year will be in the neighborhood of 2,500,000. The following table shows how this year's production compares with the production of previous years:

AUTOMOBILES MANUFACTURED IN THE UNITED STATES		
1913	.....	485,000
1914	.....	569,000
1915	.....	893,000
1916	.....	1,584,000
1917	.....	1,869,000
1918	.....	1,834,000
1919	.....	1,974,000
1920	.....	2,205,000
1921	.....	1,680,000
1922	.....	2,500,000*

* Estimated.

Fiftieth Anniversary

The Fiftieth Anniversary Committee of the American Bankers Association as re-appointed by President Puelicher is as follows:

Chairman Lewis E. Pierson, Chairman of Board, Irving National Bank, New York City.

Lyman J. Gage, Point Loma, California.

Myron T. Herrick, U. S. Ambassador to France, Paris.

Thomas B. McAdams, vice-president Merchants National Bank, Richmond, Va.

Logan C. Murray, vice-president Hariman National Bank, New York City.

George M. Reynolds, chairman of board, Continental and Commercial National Bank, Chicago, Ill.

E. F. Swinney, president First National Bank, Kansas City, Mo.



TRUST COMPANY DIVISION



First Century of Service Completed

A NEW advance in trust company resources is shown in the total figures just published by the United States Mortgage and Trust Company of New York in the twentieth annual edition of "Trust Companies of the United States."

A careful study of the recapitulation of resources and liabilities by states shown herewith reveals many interesting changes in trust company resources in different parts of the country. The figures for this year are of exceptional interest because of the fact that 1922 marks the one hundredth year of trust company service in the United States.

The total resources for the year ending June 30 were \$12,739,620,733 against \$12,323,430,513 last year, and aggregate deposits for the first time exceeded \$10,000,000,000. New York State reported a total of \$3,556,356,518, or a gain of over \$227,000,000.

The states showing the largest gains for the year are, in order, New York \$227,757,000; Illinois \$109,000,000; California \$77,292,000; New Jersey \$53,331,000; Maryland \$34,222,000; Massachusetts \$33,214,000; Rhode Island \$15,257,000; Virginia \$15,254,000. The North Atlantic and North Central states showed the largest sectional gains.

In the preface to this year's edition, President John W. Platten of the United States Mortgage and Trust Company, says:

"This, the twentieth annual edition of 'Trust Companies of the United States,' is published during the centennial year of trust company activities in this country, the first grant of fiduciary powers to a corporation having been made in 1822.

"The position of the trust companies considered in the light of their development since that time gives every promise that their influence will continue in increasing de-

gree during the new century.

"Trust Company resources in the United States for the year ending June 30, 1922 were \$12,739,620,733, thus establishing a new high record, and effectually offsetting the loss shown in 1921 compared with 1920. The total exceeds that of last year by over \$416,000,000 and is greater by \$287,743,000 than the previous high mark of 1920."

The 1922 volume contains 648 pages.

In addition to the detailed statements of 2372 reporting companies which are carefully classified in alphabetical order by states, cities and companies, there are also given a digest of state regulations and condensed tables showing the growth of trust companies for the past five years. In estimating the power and prestige of these companies, it should be borne in mind that the total of nearly thirteen billions of banking

RECAPITULATION OF ASSETS AND

	Number of Co's Reporting	ASSETS				
		Stocks and Bonds	Loans, Notes and Mortgages	Cash on Hand and in Banks	Real Estate, Banking Houses, Etc.	Other Assets
Alabama.....	33	\$2,719,838.65	\$29,600,213.86	\$9,164,996.08	\$2,299,151.85	\$37,771.33
Arizona.....	12	1,182,743.70	6,540,441.60	2,067,813.85	412,253.78	317,603.75
Arkansas.....	40	3,136,713.82	35,205,723.33	10,925,993.80	2,361,171.80	438,680.76
California.....	26	232,360,695.61	478,161,063.55	129,756,406.62	27,900,574.65	11,653,081.59
Colorado.....	19	18,621,263.50	27,940,340.68	10,114,995.22	1,693,156.09	353,799.49
Connecticut...	75	42,235,717.31	105,795,059.44	22,938,474.51	6,598,584.92	8,848,974.10
Delaware.....	15	12,169,884.93	25,296,247.52	5,225,982.50	1,987,041.39	441,341.51
Dist. of Col...	7	18,200,333.99	41,268,310.24	9,117,911.25	8,300,107.53	727,158.92
Florida.....	30	7,336,324.98	21,916,795.87	8,412,343.37	1,795,949.40	61,601.63
Georgia.....	18	6,109,223.45	29,183,201.81	7,407,200.95	2,203,374.72	866,979.69
Hawaii.....	6	1,175,974.83	3,851,441.23	1,105,779.55	223,046.98	276,038.53
Idaho.....	9	1,757,356.83	4,507,712.82	2,365,271.21	478,868.98	29,383.89
Illinois.....	102	265,990,294.94	701,829,052.38	234,862,389.43	17,143,580.53	43,712,066.48
Indiana.....	166	42,262,572.27	133,994,954.97	30,908,750.10	10,403,075.14	9,862,198.46
Iowa.....	93	12,954,857.90	64,041,607.30	12,176,112.14	2,551,314.84	2,670,459.61
Kansas.....	13	2,233,553.50	10,815,719.11	1,382,090.78	443,239.42	1,028,337.15
Kentucky.....	60	15,673,773.44	47,358,161.72	8,704,895.18	2,617,716.20	1,145,931.63
Louisiana.....	53	23,925,242.79	154,385,476.61	52,350,879.96	13,993,482.75	2,053,634.98
Maine.....	54	49,327,713.71	65,590,473.82	9,628,787.11	2,006,963.67	1,141,563.50
Maryland.....	28	56,615,699.83	99,802,165.01	44,814,777.53	5,659,159.36	2,234,825.59
Massachusetts	101	145,903,167.11	497,859,253.34	104,927,225.23	16,280,144.73	21,140,357.76
Michigan.....	11	10,409,487.42	26,998,263.85	9,518,144.20	890,064.92	2,039,682.15
Minnesota.....	25	16,071,918.26	19,778,468.02	7,252,916.45	818,301.41	4,729,744.12
Mississippi...	32	5,615,527.18	22,047,140.73	6,248,507.84	934,772.80	552,067.75
Missouri.....	105	91,252,286.36	210,763,073.58	43,326,057.09	10,381,274.48	37,719,350.10
Montana.....	19	4,149,903.83	21,881,612.99	6,235,717.23	1,382,843.57	95,178.46
Nebraska.....	24	2,553,174.91	5,229,795.35	1,380,911.61	448,581.13	7,750,892.97
Nevada.....	3	523,742.21	2,823,493.74	1,022,206.81	59,007.63	21,324.64
N. Hampshire	13	6,842,246.84	10,036,121.61	992,918.12	219,982.37	17,099.12
New Jersey...	133	250,796,726.53	335,493,530.17	70,614,875.12	17,310,563.30	8,591,495.43
New Mexico...	8	263,032.84	5,116,584.69	624,491.05	306,349.87	41,056.04
New York.....	198	863,473,835.58	1,761,597,547.75	694,414,182.28	65,810,920.50	171,060,031.98
North Carolina	102	7,121,142.32	90,758,350.48	17,299,969.12	4,265,589.18	904,482.82
North Dakota.	4	314,167.20	946,658.71	165,675.62	146,477.82	584,968.31
Ohio.....	76	168,446,743.55	630,451,832.23	117,059,834.31	38,090,156.23	16,730,207.54
Oklahoma.....	11	723,496.14	2,865,388.51	895,766.68	423,589.08	960,237.01
Oregon.....	8	2,839,551.36	4,043,374.88	1,788,923.17	965,577.62	145,750.79
Pennsylvania.	367	473,142,716.42	811,836,313.82	179,375,610.45	75,186,999.12	23,931,888.83
Rhode Island.	12	83,990,156.46	100,096,018.49	22,124,855.64	3,598,616.42	1,253,237.10
South Carolina	22	2,082,675.26	13,406,351.95	1,956,907.10	957,628.17	92,293.30
South Dakota.	13	304,079.94	6,887,802.26	1,913,189.12	266,080.71	173,303.46
Tennessee....	103	7,799,746.11	82,819,444.43	23,491,147.68	5,087,295.39	6,850,092.97
Texas.....	69	5,082,949.75	47,701,234.15	11,091,249.75	3,183,581.40	1,959,834.80
Utah.....	7	3,016,681.79	16,447,773.42	2,266,580.37	1,101,242.37	202,874.21
Vermont.....	39	13,778,518.64	47,219,881.01	3,680,639.00	845,102.24	1,481,294.08
Virginia.....	35	6,569,038.80	53,035,029.77	9,370,321.38	3,789,388.13	5,956,244.17
Washington...	19	4,528,974.50	19,186,485.27	5,029,919.15	2,285,843.07	278,730.09
West Virginia.	31	10,389,829.77	43,135,540.09	6,967,152.48	2,893,342.71	694,818.32
Wisconsin....	14	4,903,952.53	5,250,459.13	2,885,116.86	1,570,522.65	303,484.83
Wyoming.....	9	194,382.24	4,644,650.20	736,201.38	100,460.21	171,953.53
Totals.....	2,372	\$3,009,073,626.83	\$6,987,441,587.49	\$1,968,089,063.43	\$370,681,046.23	\$404,335,409.27

resources represents only a portion of the business entrusted to these great service institutions. Many billions in excess of the indicated banking power are held and administered under living or voluntary trusts and estates while the aggregate of corporate trust business would swell still further, and by large amounts, the totals given.

Thursday, February 15

The Fourth Mid-Winter Conference and the Twelfth Annual Banquet of the Trust Companies of the United States will be held at the Waldorf Astoria Hotel, New York City.

Separate announcements regarding these two events will be sent to members in December.

(List of State Vice-Presidents will appear in this place next month.)

Division Committees

COMMITTEE ON LEGISLATION

Henry M. Campbell, chairman of board Union Trust Co., Detroit, Mich. (Chairman)

Uzal H. McCarter, president Fidelity-Union Trust Co., Newark, N. J.

J. N. Babcock, vice-president Equitable Trust Company, New York, N. Y.

John B. Larner, president Washington Loan & Trust Co., Washington, D. C.

Herbert W. Jackson, president Virginia Trust Company, Richmond, Va.

John C. Mechem, vice-president First Trust & Savings Bank, Chicago, Ill.

COMMITTEE ON PUBLICITY

Francis H. Sisson, vice-president Guaranty Trust Co. of N. Y., New York City. (Chairman)

F. W. Ellsworth, vice-president Hi-bernia Bank & Trust Co., New Orleans, La.

Edward H. Kittredge, advertising manager Old Colony Trust Co., Boston, Mass.

F. Dwight Conner, manager publicity department Illinois Trust & Savings Bank, Chicago, Ill.

Allard Smith, vice-president Union Trust Co., Cleveland, Ohio.

COMMITTEE ON COMMUNITY TRUSTS

Frank J. Parsons, vice-president United States Mortgage & Trust Co., New York, N. Y. (Chairman)

F. H. Goff, president The Cleveland Trust Co., Cleveland, Ohio.

Isaac H. Orr, vice-president St. Louis Union Trust Co., St. Louis, Mo.

F. H. Fries, president Wachovia Bank & Trust Co., Winston-Salem, N. C.

M. H. MacLean, vice-president Harris Trust & Savings Bank, Chicago, Ill.

Evans Woollen, president Fletcher Savings & Trust Co., Indianapolis, Ind.

COMMITTEE ON RESEARCH

L. H. Roseberry, vice-president Security Trust & Savings Bank, Los Angeles, Calif. (Chairman)

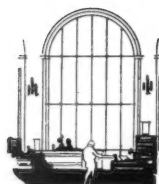
Frank W. Blair, president Union Trust Company, Detroit, Mich.

Uzal H. McCarter, president Fidelity-Union Trust Co., Newark, N. J.

LIABILITIES OF TRUST COMPANIES BY STATES

LIABILITIES					Total Assets and Liabilities
Capital	Surplus and Undivided Profits	Deposits and Due to Banks and Bankers	Other Liabilities		
\$3,979,600.00	\$2,404,789.57	\$36,446,146.81	\$991,435.39	\$43,821,971.77	
846,400.00	547,017.22	8,527,492.82	599,946.64	10,520,856.68	
5,599,500.00	2,636,997.93	39,975,169.35	3,856,619.23	52,068,286.51	
45,170,000.00	29,700,848.33	793,404,898.21	11,556,005.48	879,831,752.02	
4,290,000.00	2,775,662.18	50,873,100.97	784,791.83	53,723,554.98	
13,234,700.00	13,926,830.62	148,863,069.21	10,392,210.45	186,416,810.28	
4,791,000.00	4,083,594.96	34,163,521.54	2,082,381.35	45,120,497.85	
10,400,000.00	7,518,246.01	57,950,459.97	1,745,115.95	77,613,821.93	
4,300,000.00	1,705,602.27	32,599,502.66	917,910.32	39,523,015.25	
6,823,510.00	5,369,108.80	30,713,640.63	2,863,721.19	45,769,980.62	
1,631,340.00	1,193,544.84	3,252,071.35	550,324.93	6,632,281.12	
627,500.00	1,392,118.41	6,433,413.95	685,561.37	9,188,593.73	
72,336,190.68	89,074,115.77	1,029,051,817.52	73,075,259.79	1,263,537,383.76	
20,817,100.00	11,555,882.36	180,158,957.07	14,899,611.51	227,431,550.94	
8,925,000.00	5,539,775.16	71,595,899.79	8,333,676.84	94,394,351.79	
1,845,550.00	1,035,046.47	6,128,909.12	6,893,434.37	15,902,939.96	
8,766,100.00	4,851,303.39	59,782,844.49	2,100,230.29	75,500,478.17	
17,035,000.00	11,907,699.24	210,006,258.47	7,759,759.38	246,708,717.09	
5,115,400.00	7,714,316.02	109,220,582.57	5,645,203.22	127,695,501.81	
14,014,150.00	19,823,483.60	172,197,174.58	3,091,819.14	209,126,627.32	
40,480,900.00	51,740,059.06	665,505,548.01	28,302,641.10	786,119,148.17	
7,050,000.00	7,547,063.89	34,326,442.73	932,135.92	49,855,642.54	
7,585,000.00	3,876,212.72	31,813,973.44	5,376,162.10	48,651,348.26	
2,670,000.00	1,722,532.22	28,838,224.60	2,167,239.48	35,398,016.30	
34,441,100.00	27,646,770.99	309,539,658.88	21,814,512.24	393,442,041.61	
3,050,000.00	1,902,721.73	26,401,845.76	2,390,688.59	33,745,256.08	
3,077,800.00	887,740.69	10,939,573.60	2,458,241.68	17,363,355.97	
320,000.00	113,907.02	3,875,667.81	140,200.20	4,449,775.03	
780,000.00	1,457,244.35	15,807,056.12	64,067.59	18,108,368.06	
38,800,000.00	39,905,560.79	591,267,027.88	17,834,601.88	682,807,190.55	
835,000.00	223,902.23	5,084,069.08	258,543.18	6,351,514.49	
161,609,500.00	219,653,396.08	3,021,452,306.88	153,641,315.13	3,556,356,518.09	
11,117,571.90	7,635,220.23	93,205,151.39	8,391,590.40	120,349,533.92	
400,000.00	212,386.68	1,314,819.95	230,741.03	2,157,947.66	
62,656,850.00	49,819,418.46	821,241,926.46	37,060,578.94	970,778,773.86	
1,441,000.00	581,112.09	2,943,710.57	902,654.76	5,868,477.42	
1,712,800.00	980,994.53	6,382,154.86	707,228.43	9,783,177.82	
128,492,362.49	231,075,677.82	1,153,277,566.39	55,627,921.94	1,563,473,528.64	
9,040,200.00	14,874,289.40	182,912,988.92	4,235,405.79	211,062,884.11	
2,110,090.00	1,046,905.51	13,974,350.09	1,364,510.18	18,495,855.78	
745,000.00	348,610.46	8,023,819.92	427,025.11	9,544,455.49	
10,789,891.36	6,385,494.00	104,700,761.51	4,171,579.71	126,047,726.58	
10,675,000.00	4,432,406.16	48,481,664.71	5,429,778.98	69,018,849.85	
2,458,800.00	872,522.23	13,365,544.46	6,338,285.47	23,035,152.16	
2,516,000.00	3,875,029.10	59,070,541.55	1,543,814.32	67,005,384.97	
11,906,807.50	6,228,158.11	50,426,026.38	10,159,025.26	78,720,017.25	
3,875,000.00	1,428,182.33	24,322,322.41	1,684,447.34	31,309,952.08	
6,412,300.00	5,009,773.29	48,232,393.36	4,426,216.72	64,080,683.37	
2,110,000.00	1,596,007.58	9,652,326.69	1,555,201.73	14,913,536.00	
555,000.00	310,540.67	2,713,418.02	2,268,688.87	5,847,647.56	
\$810,262,013.93	\$918,150,843.57	\$10,470,477,813.01	\$540,730,062.74	\$12,739,620,733.25	

The Canadian wheat crop this year is about 400,000,000 bushels, and as only about 80,000,000 bushels are required for domestic consumption and seed, the amount available for export is actually larger than in the United States, and of course, a much larger proportion of the crop. Moreover, for some reason—says the National City Bank of New York, it appears to have been moving more rapidly and reports have been current that lake vessels were largely engaged in moving Canadian wheat and that American railroads and terminals were congested with Canadian wheat moving through in bond. Another report was to the effect that a great number of American railroad cars were in Canada for crop-moving purposes, but fortunately somebody else, who took the trouble to inquire, discovered that there were more Canadian cars on this side of the line than American cars on the other side. All such agitation, calculated to disturb the relations between the United States and Canada is to be deprecated.



NATIONAL BANK DIVISION



Resources of National Banks

THE total resources of National banks, as shown by the returns made to the Comptroller of the Currency as of September 15, 1922, were approximately \$21,000,000,000, an increase of more than \$200,000,000 since June 30, last. The growth of resources, however, has not been confined to the period elapsed since June 30. The increase since September 6, 1921, was \$1,200,000,000.

A statement of the percentage of loans to deposit at several given dates is interesting. On September 6, 1921, the loans were 80.23 per cent. of the deposits. On June 30, 1922, they were 68.92 per cent., while on September 15, 1922, they showed a further slight recession to 67.69 per cent. The reduction in loans and discounts, including rediscounts since June 30 of this year was \$12,000,000; since September 6, 1921 was \$446,667,000. Investments in United States Government securities increased more than one-half a billion dollars within the last year, while other bonds, stocks and securities increased during the same period \$316,000,000.

The total deposits of National banks as of the date of the last call, September 15, was \$16,598,000,000. These, too, have shown a steady increase during the last year. This growth is shown by an addition of \$278,000,000 since June 30 of this year and \$2,000,000,000 during the last twelve months.

These figures show continued improvement in the condition of National banks. They have very materially strengthened their position during the past year and are now in a better position to respond to the financial needs of industry than at any time since the beginning of the deflation period.

Government Securities Maturities

This month and the early part of January will see the distribution of an unusually large amount of money by the United States Government. On November first the amount outstanding of the several series of Victory bonds called for redemption December 15 was \$753,000,000. Disbursement of this amount will be completed during the current month. It might be said that the remaining outstanding Victories will mature May 20, 1923.

The next large maturity of Government obligations will be January 1, 1923, when the War Savings Certificates of 1918 series will fall due. The promise of the United States to pay its debts when due has never been broken and all who request their money in these instances will receive it. However, the Government, through the Treasury Department, the thousands of postmasters

and other agencies, is strongly urging holders of Victories and War Savings Certificates to exchange them for Treasury Savings Certificates. This will be done to some extent, but hundreds of millions of dollars will be paid out in cash. This will afford the banker one of the greatest opportunities he can ever have to do a service to his community. Every dollar failing to find proper placement or safe investment will be lost to the owners. Perhaps the greater number of the recipients of these moneys will not immediately decide upon permanent sound investment and the longer the delay the more doubtful the result. Awaiting the final placement the local banks should be the depositories. The inducement of safety, interest return and ability to withdraw at will should attract most of this money and will draw a considerable part of it if properly presented. To these attributes of a savings account, frequently not recognized by those who are not the owners of such deposits, is added the additional advantage of a lessened inclination to withdraw from a safe investment to enter one with greater possible dangers. On every hand will be found allurements to speculative venture, but once the money is placed in a bank the deliberation which will precede its withdrawal will be more mature and to that extent indicative of a dependable final disposition.

Silver Dollar Coinage

Restoration of the silver dollar to the volume in which it existed prior to the passage of the Pittman Act is progressing satisfactorily after an inactivity of three years due to the high price of silver during that time. The Act, passed in 1918, as set forth in an article in the JOURNAL some time ago, authorized the Secretary of the Treasury to purchase and break up and sell as bullion not in excess of 350,000,000 standard silver dollars, for the purpose of conserving the stock of gold in the United States, of facilitating the settlement of trade balances in silver, of providing silver for subsidiary coinage and of assisting certain foreign governments. Pursuant to that authorization 279,000,000 silver dollars were melted. Comparatively few of them were in circulation prior thereto and so their destruction produced no noticeable dearth of that currency in the hands of the public. It did, however, contract the supply of silver certificates which had to be retired in proportion to the number of silver dollars melted.

The proceeds of 259,000,000 of the dollars melted were sold to the British Government and the other 11,000,000

went to provide subsidiary coinage. To recoin the number of dollars melted will require approximately 209,000,000 ounces of silver which, according to law, must be the product of mines and smelters located within the United States and purchased at one dollar per ounce. Sales of such bullion could not be made at less than one dollar an ounce and that limitation upon the price in the repurchase of silver for recoinage purposes made impossible the acquisition of bullion prior to 1921.

The Director of the Mint is required to recoin the number of dollars melted as rapidly as possible, and therefore he utilizes the entire production which meets the requirements laid down. The total purchases to date amount to about 143,000,000 ounces. While the effect of this law is to fix the price of silver at one dollar an ounce upon such of it as is eligible for purchase, the current price of foreign produced silver is slightly less than seventy cents. The advantage accruing to the American miner from the enactment of this law is manifest, for his entire output finds a market at one dollar. To guard against the passing of foreign produced or smelted silver as the product of American mines and reduction works the smelter from which the Government makes purchases is required to produce an affidavit from the mine to show that it received for its silver one dollar an ounce less transportation and reduction charges and it must make like proof that the ore was reduced in a smelter within the United States. The one dollar must go to the mine.

All of the United States mints—Philadelphia, Denver and San Francisco—are equipped to coin silver and do engage in that work, though not continuously. The recoinage of these silver dollars is at the present time at the rate of about 3,000,000 a week and the total recoinage to date is approximately 150,000,000 dollars.

Quality of Bank Note Paper

One of the resolutions adopted by the National Bank Division at its recent convention called attention to the unusual activity on the part of counterfeiters of United States currency. The convention expressed the desire that the Secretary of the Treasury be requested to restore to our Government securities the same high degree of production and quality of materials as characterized them prior to the World War.

In reply to a formal communication of this resolution to the Secretary of the Treasury he advised that the Treasury Department is putting forth every effort to secure the best grade of ma-

materials obtainable for the production of currency and securities and to have them engraved and printed in the highest degree of the art. It is a matter of rather general knowledge that during the war and for a time thereafter it was impossible to obtain paper manufactured from selected linen rags as prior thereto. As a consequence cotton had to be substituted. Later a limited quantity of linen cuttings became available and a paper composed of half linen and half cotton was used. From the Department now comes the information that it has succeeded in contracting this year for paper composed of 75 per cent. linen and this is proving much more satisfactory and producing better results. The aim, of course, is to secure all-linen paper and as soon as this is possible it will be done. Even the 75 per cent. linen product is a great improvement. In appearance it is far superior to the half linen and half cotton paper and its wearing qualities are much enhanced. Likewise it has removed in part the incentive for returning really serviceable currency to the Department for destruction because it looks worn. The greater proportion of linen affords a harder and more smooth surface.

The Secretary of the Treasury announces, too, that a similar improvement is being effected with inks, plates and other materials and the higher grades of these materials used prior to the war should soon be available in sufficient quantities.

National Bank Division Committees

COMMITTEE ON FEDERAL LEGISLATION.

C. J. Lord, Chairman, president Capital National Bank, Olympia, Wash.

S. E. Trimble, vice-president-cashier Union National Bank, Springfield, Mo.

Percy H. Johnston, president Chemical National Bank, New York, N. Y.

Thomas P. Beal, Jr., vice-president Second National Bank, Boston, Mass.

H. H. McKee, president National Capital Bank, Washington, D. C.

COMMITTEE ON MEMBERSHIP.

Charles W. Carey, Chairman, president First National Bank, Wichita, Kansas.

John F. Hagey, vice-president First National Bank, Chicago, Ill.

E. C. Melvin, president Selma National Bank, Selma, Ala.

COMMITTEE ON RELATIONS WITH FEDERAL RESERVE SYSTEM.

E. P. Passmore, Chairman, president Bank of North America, Philadelphia, Pa.

Nathan Adams, vice-president American Exchange National Bank, Dallas, Tex.

John F. Hagey, vice-president First National Bank, Chicago, Ill.



FRANK C. MILLSBAUGH

Representative Frank C. Millsbaugh, Republican of Missouri, who has announced that he will resign from Congress to accept the position of Commissioner of Finance tendered him by Gov. Arthur M. Hyde. In this post he will have charge of all the banks and building and loan associations in the State. Representative Millsbaugh has been in the banking business for thirty years and is secretary and director of the Canton Trust Company.

COMMITTEE ON SAVINGS DEPARTMENTS OF NATIONAL BANKS.

S. E. Trimble, Chairman, vice-president-cashier Union National Bank, Springfield, Mo.

New Banks Organized

(Continued from page 442)

Pen Argyl—Pen Argyl Trust Company. Capital, \$125,000.

Slatington—Slatington Trust Company. Capital, \$125,000. Secretary, A. F. Rex.

Smicksburg—Smicksburg State Bank. \$25,000. Treasurer, Frank Elkin.

State College—The Peoples National Bank. Capital, \$50,000. President, E. J. Williams; cashier, D. G. Meek.

TENNESSEE

Rockwood—The City National Bank. Capital, \$50,000. President, John A. East; cashier, C. F. Smith.

TEXAS

Murphy—Liberty State Bank. Capital, \$15,000. President, D. Miller; cashier, C. E. Stewart.

VIRGINIA

Danville—Danville Bank & Loan Company. Capital, \$50,000. President, John B. Anderson; treasurer, Robert Murray.

W. C. Wilkinson, president Merchants and Farmers National Bank, Charlotte, N. C.

A. F. Mitchell, vice-president Northern National Bank, Toledo, Ohio.

COMMITTEE ON STATE LEGISLATION.

Thomas P. Beal, Jr., Chairman, vice-president Second National Bank, Boston, Mass.

A. F. Mitchell, vice-president Northern National Bank, Toledo, Ohio.

E. C. Melvin, president Selma National Bank, Selma, Ala.

C. J. Lord, president Capital National Bank, Olympia, Wash.

COMMITTEE ON STATE TAXATION OF NATIONAL BANKS.

W. C. Wilkinson, Chairman, president Merchants and Farmers National Bank, Charlotte, N. C.

Oliver J. Sands, president American National Bank, Richmond, Va.

Nathan Adams, vice-president American Exchange National Bank, Dallas, Texas.

COMMITTEE ON TRUST DEPARTMENTS OF NATIONAL BANKS.

John G. Lonsdale, Chairman, president National Bank of Commerce, St. Louis, Mo.

Percy H. Johnston, president Chemical National Bank, New York, N. Y.

Charles W. Carey, president First National Bank, Wichita, Kansas.

Goochland—Bank of Goochland. Capital, \$25,000. President, Thomas P. Deitrick.

Powhatan—Bank of Powhatan. Capital, \$50,000. President, W. E. Maxey; cashier, H. B. Ferrell.

WASHINGTON

Seattle—Queen City Bank. Capital, \$50,000. President, L. V. Park; cashier, W. J. Speer.

WEST VIRGINIA

Mullens—The First National Bank of Mullens. Capital, \$25,000. President, W. M. Lewis; cashier, P. D. Sullivan.

WISCONSIN

Madison—Commercial Trust Company. Capital, \$300,000.

WYOMING

Salt Creek—Bank of Salt Creek. Capital, \$25,000.

Salt Creek—Salt Creek State Bank. Capital, \$10,000.



SAVINGS BANK DIVISION



Cooperate To Prevent Dissipation of War Savings

SAVINGS bankers and Government officials, the press and investment houses, better business bureaus and civic workers generally, all are co-operating to prevent dissipation of the principal and five years accumulated interest on War Savings Certificates that mature next January 1.

The amount outstanding at date of last report (September 30) on basis of reports of sales was \$511,301,721.44, the total original sales having been \$1,022,110,263.58, the difference being the amount retired.

The Secretary of the Treasury has sent full instructions as to the plan for redemption or refunding to all banks, and Under Secretary Gilbert advised President Samuel H. Beach that "great help in securing cooperation from the savings banks" will result from the latter's letter dated November 16 to all active members of the Division, which said in part:

"The redemption and exchange of War Savings Certificates, series of 1918, presents an opportunity for public service which corresponds with that rendered by our institutions when the stamps were sold five years ago.

"The Treasury Department circular No. 308 of November 9, 1922, with a letter to you from Secretary Mellon on the 13th, states the official plan for redemption on or before January 1. Any recognized banking institution may receive unregistered certificates for collection, or for exchange for the 1923 series of Treasury Savings Certificates. The bank need not belong to the Federal Reserve System.

"We suggest that you advise your depositors and the public of your ability and readiness to make redemption or exchange under the Government's plan and we will appreciate copies of any circulars or advertisements which you may use in this connection. Your postmaster or Federal Reserve Bank or this Division's office will supply any further information that may be needed."

On the 20th, a news item was issued which quoted President Beach as calling attention to the fact that "After five years of waiting not only for the payment of principal but for the interest upon War Savings Certificates of the series of 1918, millions of people who could not afford to buy Liberty bonds are being invited to avail themselves of the service of the banks in obtaining their checks from the Government or in exchanging for Treasury Savings Certificates of the 1923 series under the plan just announced by the Treasury Department."

A letter was also sent to 2000 editors which suggested this as "a matter of general interest because of the great

Savings Bank Division's

Monthly Business Text

IX. Every possible purchaser of fake securities, quack remedies and imitations generally, should have a savings account.

Aim: Through the savings account to teach the potentialities of the "dollar in hand," the utter selfishness of those who artfully urge that it be wasted or gambled without independent investigation, and the utility of the bank deposit as a reserve.

Plan: Plain understandable talk to those who have the "saving wage,"—but waste it.

Steps: Having decided that both banker and each actual or prospective depositor are more interested in the unspent dollar than in generalities about national thriftlessness, the banker may adopt a plan of plain talk on the waste and loss which result from failure to apply horse-sense and logic to arguments of advertisers and salesmen.

First, obtain all possible information on the methods of those who are imposing upon the savers in your community. Build up or purchase such a mailing list as they probably are using.

Second, collect reliable information on frauds which have been exposed. The better known the more useful it will be. Apply to the postmaster, Chamber of Commerce, State Banking or "Blue Sky" Department, and other places likely to be informed.

Third, obtain first-hand information on the effect of such frauds upon individuals and families. The clergy and charity workers might furnish these facts. Names are not needed.

Fourth, bring to public attention the comparative happiness of the family which saves a part of its income and invests safely under the guidance of its banker on the one hand, in contrast with the family which spends as fast as it earns or gambles according to the plausible advice of strangers and in "securities" on which the banker has not been asked to report.

Newspapers, window signs and personal letters are not the only mediums which may be used.

number of wage-earners and others having small incomes who shared according to their means in the financing of the War," and urging that the entire press of the country assert its "powerful influence to prevent a dissipation of this important amount of accumulated savings by thriftless expenditure or by purchase of worthless securities. The banks of the American Bankers Association, the better business bureaus of the Associated Advertising Clubs of the World, investment bankers and citizens generally, will be found ready to support you in regarding this as one of the most definite opportunities for the general advancement of thrift.

"It is feared that many people regard this realization of both principal and interest upon an investment made five years ago, as 'ready money' and spend it with corresponding ease."

In this letter it is also suggested that "every banker and especially each bank official who has charge of savings deposits might well be called upon for stories emphasizing the service which they will now render without charge for the convenience of the certificate-holders, and perhaps they will relate interesting personal experiences in connection with the sale of these certificates during the war period. Your advertising department might well suggest that banks feature this service in their advertising space."

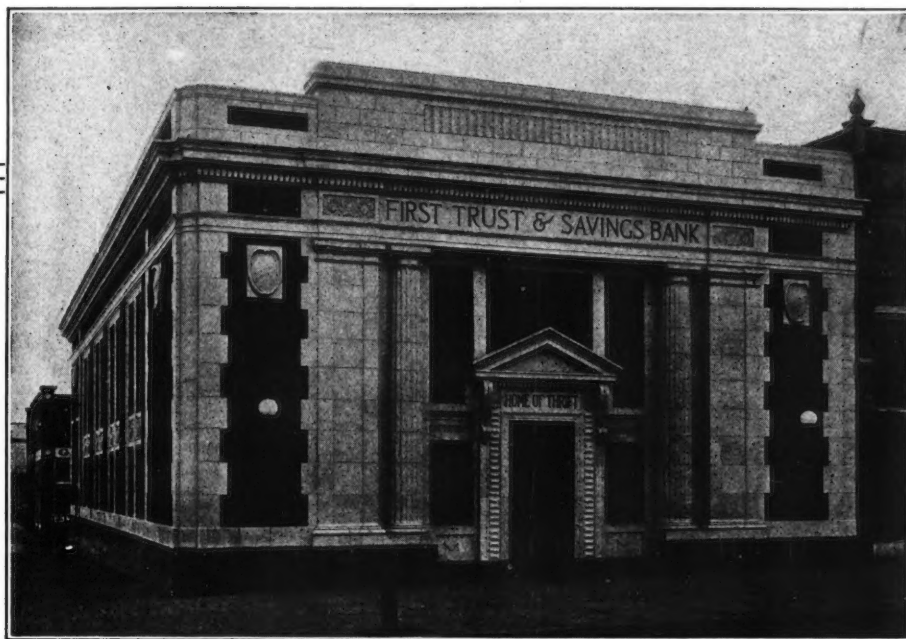
Several banks have already reported a good response from advertisements, the unregistered certificates in some cases being credited to deposit account if the owner declines to reinvest in the 4 per cent certificates of the 1923 series.

School Savings Banking

The blanks for the brief semi-annual report on school savings banking projects have been distributed to all systems on our mailing list. Any bank depository for such a system which has not received the blank should write for a copy and give sufficient facts about its work to obtain a place in our files and thus to receive the information and suggestions which we distribute from time to time.

Preliminary advices indicate that large increases in deposits are being received from pupils in all effective installations.

The manual of plans and forms adopted by the Savings Bank Division pursuant to resolution of the last convention is in the hands of the printer and full announcement will be made in this department next month both as to contents and price. Circulars will be sent when ready to those who apply.



FIRST TRUST AND SAVINGS BANK, MOSCOW, IDAHO

A. MOOREMAN
& CO.,
Architects

Old Ivory Matt
Glazed Terra Cotta
with Base Course of
Gray Speckled
Terra Cotta

"The COMMUNITY is PROUD of It"

"There is nothing in Moscow that marks the growth of the town from a frontier village to a substantial city as does the new building of the First Trust and Savings Bank — Moscow's newest business building, which occupies the site of the oldest building in town."

IN these words the Spokesman-Review of Spokane takes enthusiastic note of the new building of the First Trust and Savings Bank of Moscow, Idaho. And this praise is justly bestowed. Here is a banking structure that would attract favorable attention in any locality, large or small.

For a building of its moderate size this bank presents an appearance of remarkable strength and dignity. Dark brick was used for the background; Terra Cotta in a lovely old ivory shade for the trim and ornament. Officers of the bank have written us stating that the "community is proud of it," that they consider Terra Cotta to be a "most excellent" material for banks, and that if they

were building again they would "absolutely" use it.

From the practical as well as the aesthetic point of view, Terra Cotta is an extremely satisfactory material. It is adapted to bank buildings of all sizes and types. It comes in any shape or color the architect specifies; is waterproof, weatherproof, fire-resistant — permanent in color and texture. Dirt that collects on it can be removed by a simple washing with soap and water.

Many of the country's finest banks are pictured in an interesting brochure, "Better Banks," which we send free on request to bankers and others interested in banking. Address National Terra Cotta Society, 19 West 44th St., New York, N.Y.

TERRA COTTA

Permanent

Beautiful

Profitable

When writing to advertisers please mention the "Journal of the American Bankers Association."

Tax Exemption Amendment

All savings depositors as a class, and savings bankers as trustees of investment funds, should be informed of the need for the resolution pending in Congress to amend the Constitution so as to avoid the present menace of further issues of tax exempt securities.

The argument is sometimes heard that there will be a further encroachment by the Federal upon state powers if the amendment is adopted. Our secretary recently discussed this fallacious assumption in a letter which reads in part:

"The pending amendment merely confers new and reciprocal powers upon both the states and the United States.

"Furthermore, these reciprocal powers may already exist and may have been intended by the organizers of the Union according to excellent legal authority, but the amendment is now proposed in order to clarify the effects of a generalization which resulted from an attempt by a state to kill a Federal instrumentality.

"Finally, the amendment can have no other effect than to promote equity and justice in the taxation of incomes, placing the ability taxes upon a democratic basis, making possible a material reduction in all income tax rates as the tax base is enlarged.

"The essential point is that the financing which is necessary to business activity, and to more profitable and continuous employment, and also to the real estate mortgage market, will not be hampered by the enormous subsidy now being paid by the (so-called) labor and middle classes to the owners of large fortunes through enjoyment of tax exempt incomes.

"The states now tax the incomes from securities issued by other states and in some cases grant no tax exemption to their own bonds in the hands of their own taxpayers. Even the amount of mortgages now taxable by the states is being reduced against their will and consent by a tax exemption privilege or subsidy which has been granted by the Federal Government.

"The point we make is that the Federal amendment will strengthen and not weaken the powers and stability of the states, their credit or borrowing powers will be conserved, and small average (less than 'one or two per cent.' as sometimes alleged) in interest rate on State bonds will be more than offset by an equalizing and moderating of the actual tax burden on the public."

Savings Bank Division, Committees 1923

EXECUTIVE COMMITTEE

President

Samuel H. Beach, president Rome (N. Y.) Savings Bank.

Vice-President

Charles H. Deppe, vice-president The Union Savings Bank & Trust Co., Cincinnati.

Ex-President

Raymond R. Frazier, president Washington Mutual Savings Bank, Seattle.

Monthly Tendency in Savings Deposits

An increase in savings deposits of .5 per cent. during the month preceding November 1, 1922 and of 5.9 per cent. during the preceding year, is indicated

by 886 banks which hold about one-third of the savings deposits of the country, according to tabulation of the Federal Reserve Board:

Federal District	Number of Banks Reporting	SAVINGS DEPOSITS		Per Cent. Increase During Month	SAVINGS DEPOSITS Nov. 1, 1921	Per Cent. Increase Over Last Year
		Nov. 1, 1922 Millions	Oct. 1, 1922 Millions			
1	64	\$1,114	\$1,108	.04	\$1,062	4.8
2	30	1,741	1,744	— .01	1,653	5.3
3	80	419	420	— .01	409	2.4
4	18	389	383	1.3	378	2.6
5	93	278	274	1.4	250	11.0
6	80	158	157	.05	147	7.0
7	219	795	784	1.2	766	3.7
8	35	118	117	.07	105	12.1
9	15	80	80	.007	76	6.0
10	65	98	95	2.4	88	10.2
11	112	70	70	.05	61	15.0
12	75	789	782	.08	711	10.9
Total	886	\$6,052	\$6,020	.5	\$5,711	5.9

TERM EXPIRING 1923

John J. Pulleyn, president Emigrant Industrial Savings Bank, New York.

John H. Dexter, president Society for Savings, Cleveland.

John W. B. Brand, treasurer Springfield (Mass.) Institution for Savings.

TERM EXPIRING 1924

Samuel M. Hawley, president Bridgeport (Conn.) Savings Bank.

George E. Brock, president Home Savings Bank, Boston.

Alvin P. Howard vice-president Hibernia Bank & Trust Company, New Orleans.

TERM EXPIRING 1925

John S. Broeksmitt, treasurer Harris Trust & Savings Bank, Chicago.

W. R. Morehouse, vice-president Security Trust & Savings Bank, Los Angeles.

Thomas F. Wallace, treasurer Farmers & Mechanics Savings Bank, Minneapolis.

PRESIDENT'S ADVISORY COMMITTEE

Raymond R. Frazier, *Chairman*, president Washington Mutual Savings Bank, Seattle.

Wm. E. Knox, president Bowery Savings Bank, New York.

Jos. R. Noel, president Noel State Bank, Chicago.

W. A. Sudd, president Chattanooga Savings Bank.

S. Fred Strong, treasurer Connecticut Savings Bank, New Haven.

Victor A. Lersner, vice-president Bowery Savings Bank, New York.

Geo. E. Brock, president Home Savings Bank, Boston.

Chas. H. Deppe, vice-president Union Savings Bank & Trust Co., Cincinnati.

COMMITTEE ON SAVINGS

Alvin P. Howard, *Chairman*, vice-president Hibernia Bank & Trust Co., New Orleans.

W. R. Morehouse, vice-president Security Trust & Savings Bank, Los Angeles.

Mrs. Allan P. Stevens, Maine Savings Bank, Portland.

E. V. Hays, vice-president Union Savings Bank, Pittsburgh.

Carl M. Spencer, treasurer Home Savings Bank, Boston.

Sub-Committee on School Savings

G. Herbert Boehm, vice-president Provident Savings Bank, Baltimore.

Edw. A. Richards, president East New York Savings Bank, Brooklyn.

L. H. Whiting, president Boulevard Bridge Bank, Chicago.

S. B. Lloyd, vice-president Philadelphia Savings Fund Society.

W. S. Webb, cashier Missouri Savings Bank, Kansas City.

Sub-Committee on Industrial Savings

D. S. Pierce, treasurer Worcester County Institution for Savings, Worcester.

Jarvis S. Hicks, treasurer Long Island City Savings Bank, New York.

F. W. H. Becker, secretary-treasurer Western Savings Bank, Buffalo.

A. R. Fraser, vice-president Guardian Savings & Trust Co., Cleveland.

Philip J. Lawler, Bank of Italy, San Francisco.

Sub-Committee on Home Savings

Miss Margaret J. Bacon, Monroe County Savings Bank, Rochester.

Mrs. Key Cammack, assistant secretary New York Trust Co., New York.

Miss A. E. Leiser, Williamsburgh Savings Bank, Brooklyn.

Miss Sarah J. McLeod, Society for Savings, Cleveland.

Mrs. Ralph Bebee, Commerce Trust Co., Kansas City.

COMMITTEE ON REAL ESTATE MORTGAGES

John J. Pulleyn, *Chairman*, president Emigrant Industrial Savings Bank, New York.

M. A. Traylor, president First Trust & Savings Bank, Chicago.

H. T. Blackburn, vice-president Des Moines Savings Bank & Trust Co.

S. Fred Strong, treasurer Connecticut Savings Bank, New Haven.

W. B. Bakewell, vice-president Mercantile Trust Co., San Francisco.

P. J. Slach, vice-president Union Trust Co., Cleveland.

J. M. Willcox, vice-president Philadelphia Savings Fund Society.

COMMITTEE ON BANK FACILITIES AND SERVICE

W. R. Morehouse, *Chairman*, vice-president Security Trust & Savings Bank, Los Angeles.

Alvin P. Howard, vice-president Hibernia Bank & Trust Co., New Orleans.

Victor A. Lersner, vice-president Bowery Savings Bank, New York.

Lawrence H. Whiting, president Boulevard Bridge Bank, Chicago.

Myron F. Converse, treasurer Worcester (Mass.) Five Cents Savings Bank.

A. S. Van Winkle, president Empire City Savings Bank, New York City.

Sub-Committee on Publicity and Advertising

Arthur D. Welton, Continental & Commercial Trust Co., Chicago.

Fred W. Ellsworth, vice-president Hibernia Bank & Trust Co., New Orleans.

W. S. Webb, Cashier Missouri Savings Bank, Kansas City.

M. E. Holderness, vice-president First National Bank, St. Louis.

Sub-Committee on Thrift Clubs

T. R. Durham, vice-president Chattanooga Savings Bank.

E. T. O'Brien, cashier Citizens Bank, Kenosha, Wis.

J. Howard Bogardus, treasurer Stamford (Conn.) Savings Bank.

R. C. Vandenberg, vice-president Savings Bank of Utica.

Samuel Marsh, Manager Thrift Department, Northern Trust Co., Chicago.

Sub-Committee on Insurance Plans

J. S. Broeksmit, treasurer Harris Trust & Savings Bank, Chicago.

A. C. Robinson, president Peoples Savings & Trust Co., Pittsburgh.

J. A. Sweeney, Assistant Secretary Paterson (N. J.) Savings Institution.

Chas. L. Burleigh, treasurer Worcester (Mass.) Mechanics Savings Bank.

COMMITTEE ON FEDERAL LEGISLATION

Chas. H. Deppe, *Chairman*, vice-president Union Savings Bank & Trust Co., Cincinnati.

B. F. Saul, vice-president American Security & Trust Co., Washington.

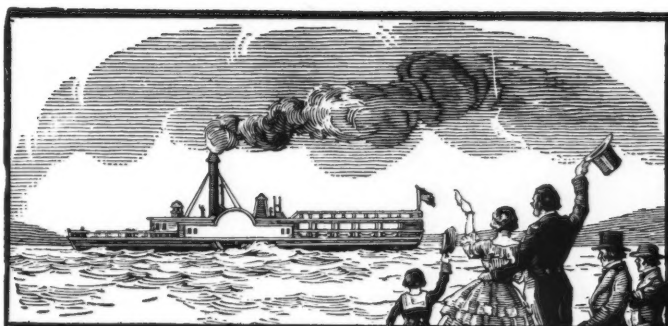
W. A. Sadd, president Chattanooga Savings Bank.

Jos. H. Soliday, president Franklin Savings Bank, Boston.

Thos. F. Wallace, treasurer Farmers & Mechanics Savings Bank, Minneapolis.

Geo. N. Aldridge, vice-president Dallas Trust & Savings Bank.

Jos. R. Noel, president Noel State Bank, Chicago.



Safe and Sure

IN 1824 when the "Swift and Sure Transportation Line" was carrying passengers from New York to Philadelphia in one day, the Chemical Bank was building its reputation as a Safe and Sure Bank.

The old Swift and Sure Line is now only a memory, but the Chemical National Bank has come down through the years historically known as "Old Bullion," always safe and sure.

Seeking New Business on Our Record

THE CHEMICAL NATIONAL BANK OF NEW YORK

Founded 1824

BROADWAY AND CHAMBERS, FACING CITY HALL

COMMITTEE ON STATE LEGISLATION

Thomas F. Wallace, *Chairman*, treasurer Farmers & Mechanics Savings Bank, Minneapolis.

J. F. Sartori, president Security Trust & Savings Bank, Los Angeles.

N. B. Coffman, president Coffman-Dodson Bank & Trust Co., Chehalis, Wash.

Elias A. Smith, cashier Deseret Savings Bank, Salt Lake City.

Geo. E. Brock, president Home Savings Bank, Boston.

Chas. H. Deppe, vice-president Union Savings Bank & Trust Co., Cincinnati.

COMMITTEE ON INVESTMENTS

Geo. E. Brock, *Chairman*, president Home Savings Bank, Boston.

W. D. Longyear, vice-president Security Trust & Savings Bank, Los Angeles.

P. LeRoy Harwood, treasurer Mariners Savings Bank, New London.

H. P. Borgman, vice-president Peoples' State Bank, Detroit.

J. D. Garrett, treasurer Central Savings Bank, Baltimore.

A. Koppel, treasurer Central Savings Bank, New York.



RECENT DECISIONS



BAD CHECK LAW APPLIES TO CHECKS WHICH ARE POSTDATED AND WHICH ARE GIVEN FOR PAST INDEBTEDNESS—KANSAS

Frank Avery was convicted of drawing a check knowing that he has no funds on deposit to meet the check when presented. The Supreme Court of Kansas sustained the conviction holding as follows:

The offense created by the Worthless Check Act (Laws 1915, c. 92), making it unlawful to issue a check on a bank, knowing at the time there are no funds on deposit to meet the check on presentation, and providing punishment for anyone who willfully violates the act, is not related to the false token, bogus check, and false pretense group of crimes, the purpose of the act being to discourage overdrafts and resulting bad banking, to stop the practice of "check kiting," and generally to avert the mischief to trade, commerce, and banking which the circulation of worthless checks inflicts.

Intent to defraud and accomplishment of fraud are not elements of the offense, and are not essential to validity of the act.

The statute does not sanction imprisonment for debt even though it be conceded in this case that the check was given in payment of a debt long past due, nor does the statute sanction compounding a felony.

All the elements of the offense being present, the maker of check is not relieved from punishment by the fact he told the payee, when check was issued, he had no funds in the bank to meet it. The act applies to postdated checks. *State v. Avery*, 207 Pac. 838.

THE CHECK WITHOUT FUNDS LAW PASSED IN GEORGIA HELD UNCONSTITUTIONAL BECAUSE NOT WITHIN TITLE OF THE ACT REGULATING BANKING—GEORGIA

One Mr. Corenblum was accused of uttering a worthless check upon the Mercantile Bank & Trust Company, a Georgia corporation. It was charged that he knew that he had not sufficient funds in the bank for the payment of this check. This seemed to be a clear case in which the defendant could be criminally liable under the Georgia Bad Check Law. The defendant was adjudged guilty, but upon a review of the case brought before the Supreme Court it declared the Georgia statute unconstitutional because it violated the Constitution of Georgia which provides that no law shall contain matter different from what is expressed in the title of the act. In this case the title of the act provided for a law to regulate banking, to create the

IN Kansas the drawing of a worthless check is a criminal offense and it is no defense that the check was postdated, or was given for a past debt or that the payee was not defrauded.

THE Georgia Check Without Funds Law was declared unconstitutional because not within the title of the general banking law.

A BANK to which a check was sent for collection acted at its peril in accepting in payment of such check drawee's bank check on other bank, having no authority to accept in payment thereof anything other than money.

REFUSAL of non-member bank of Federal Reserve System to remit at par for checks indorsed for remittance without exchange does not constitute dishonor.

SAVINGS assets of an insolvent bank shall be applied exclusively to the satisfaction of the savings depositors, and until their claims are paid in full savings depositors shall share ratably with commercial depositors in the distribution of all other assets and resources of the bank.

A BANK was held not liable for arrest of the drawer of a check which it wrongfully dishonored.

CHRISTMAS Club deposits placed with a trust company belong to the savings department and upon liquidation of the Company, the Club members share alike with other savings depositors.

ACCORDING to a New York decision, Daylight Saving Time becomes the new "Standard" Time in the locality which adopts this change.

THE admission by the Bank Superintendent of a third bank in a community where two banks are sufficient, is not a matter for the courts to decide unless there is an abuse of the Department's discretion.

department of banking, to provide for the incorporation of banks, and the renewal and surrender of charters, to provide penalties for the violation of laws "with reference to banking and the banking business."

The Court held that so far as the bad check was concerned "there does not seem to be a reasonable connection between the imposition of a penalty for the giving of a check by one individual to another and the broad, general purpose of the act as expressed in the title." Because the statute in question was not within the purview of the general title and did not cover matters properly connected with the general subject and germane thereto, it was held unconstitutional and the defendant was released. *Corenblum v. State*, 113 S. E. 159.

BANK TO WHICH CHECK SENT FOR COLLECTION HELD NOT AUTHORIZED TO ACCEPT IN PAYMENT DRAWEE'S BANK'S CHECK ON ANOTHER BANK—FEDERAL CASE

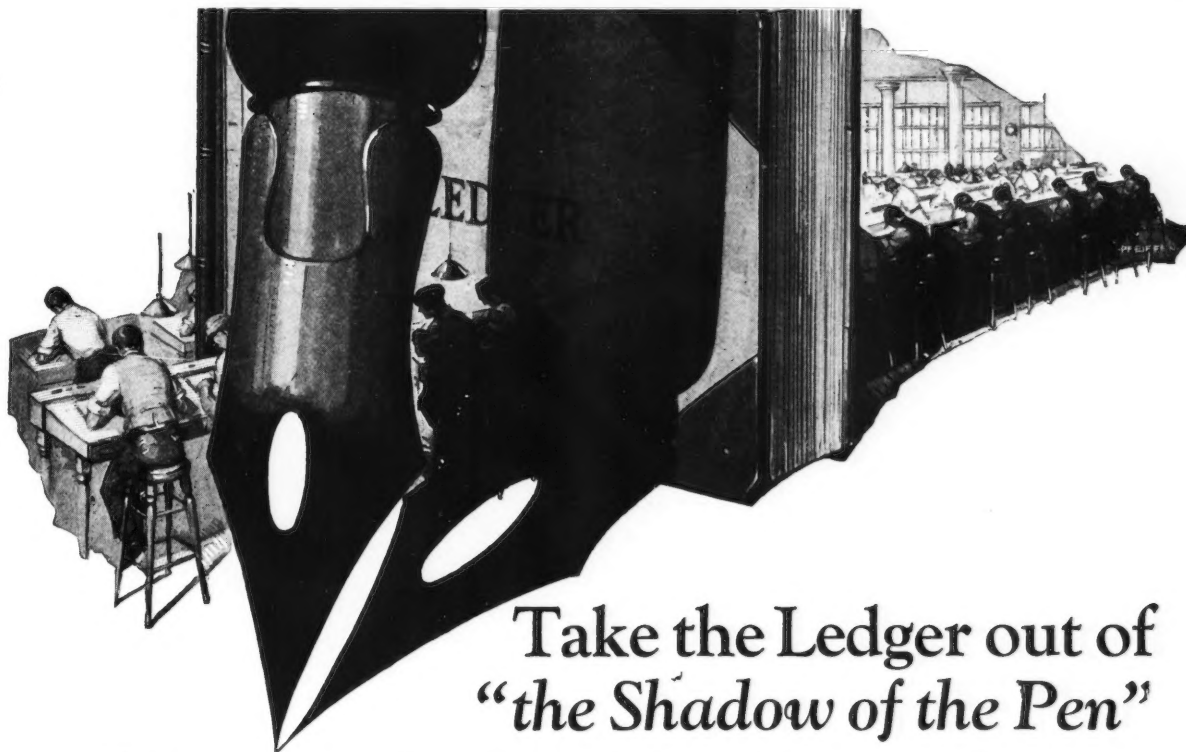
In the recent decision of the Federal District Court in North Carolina in *Malloy v. Fed. Res. Bank of Richmond*, reported in 281 Fed. 997 (Oct. 19, 1922), a check drawn by a local customer on a North Carolina bank was mailed to a payee in Georgia who deposited it in his bank in Florida from whence it went through various correspondents to the Federal Reserve Bank of Richmond which mailed it direct to the North Carolina drawee and received in return the draft of that drawee representing that and other checks, which was dishonored because of failure of the North Carolina bank.

The Georgia payee sued the Federal Reserve Bank of Richmond and the drawer of the check.

The drawer of the check was held discharged when the check was received by the North Carolina drawee and charged to his account.

The Court held that the Federal Reserve Bank of Richmond was directly answerable to the payee of the check, notwithstanding the intervening banks, because under statute in Florida where he deposited the check, the bank of deposit was authorized to employ subagents which become agents of the owner. This statute crystallizes the judicial law of many jurisdictions that a bank is not liable for correspondents' defaults but only for the selection of suitable correspondents who become subagents of the owner of the paper.

The Court held that the liability or non-liability of the Federal Reserve Bank of Richmond to the payee depended upon the answer to two questions (1) whether it was negligent in



Take the Ledger out of "the Shadow of the Pen"

OLD figures are treacherous figures. Last week's accounting is a matter of record—not an index of today's condition.

Books kept on the Underwood Bookkeeping Machine are rarely more than a day, often less than an hour, behind the last transaction.

Ledgers, for instance, are kept in *perpetual balance*. A trial balance can

be struck almost automatically whenever desired. Statements are ready for mailing on the last day of the month—without overtime.

Think of the advantages in economy for the bank, better working conditions for employees, and better service to customers that result from Underwood accounting—accounting taken "out of the Shadow of the Pen".

Executives will be interested in "Taking Industry Out of the Shadow of the Pen". A copy will be sent on request. Write to

Underwood Typewriter Co., Inc., Underwood Building, New York
Branches in all principal cities

UNDERWOOD

Bookkeeping

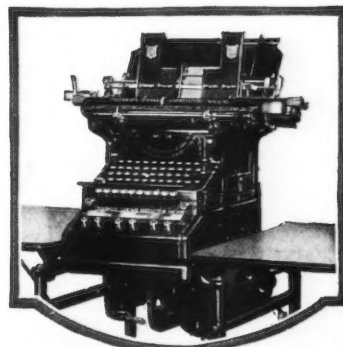
MACHINE

UNDERWOOD TYPEWRITER CO., INC., Underwood Building, New York

☐ Send Underwood Bookkeeping Machine representative from nearest branch office

☐ Send a copy of "Taking Industry out of the Shadow of the Pen".

J.A.B.A.



Name..... Address.....

When writing to advertisers please mention the "Journal of the American Bankers Association."

sending the check to the drawee for collection (2) whether it was negligent in accepting the check of the drawee in payment.

Upon the first question, it held that while the judicial rule is that it is negligent to send a check direct to the drawee and while the statute in North Carolina authorizing sending direct to payor did not apply to a bank in Virginia but only to the banks in North Carolina, nevertheless the circular of the Federal Reserve Board which stated that in handling items, the Board will require that each member and non-member clearing bank authorize its Federal Reserve Bank to send direct to the drawee, become a part of the contract and permitted the Federal Reserve Bank of Richmond to send direct.

Upon the second question, however, the court cited the numerous authorities that a collecting bank is authorized to take money only in payment and held that there was no evidence of any custom existing either in Virginia or North Carolina by which collecting banks were authorized to accept from their agents or sub-agents or from drawee banks anything but money.

Upon this latter point, the Federal Reserve Bank of Richmond was held negligent in taking the check of the North Carolina bank in place of money and responsible to the owner of the check, in the sum of \$9,000 with interest and costs.

The Court said: "The authorities appear to be practically uniform in holding that, in the absence of any instruction or permission from the owner of the check, or any custom brought to the notice of such owner, to the contrary, the bank had no authority to accept or receive in payment of the check intrusted to it for collection anything other than money. Among many other decided cases, the following are cited as sustaining this proposition: *Ward v. Smith*, 7 Wall. (74 U. S.) 447, 19 L. Ed. 207; *Fifth Nat. Bk. v. Ashworth*, 123 Pa. 218, 16 Atl. 597, 2 L. R. A. 493; *Nat. Bk. v. Am. Exch. Bank*, 151 Mo. 320, 52 S. W. 265, 74 Am. St. Rep. 527."

NOTE: This decision is worthy of note and it will be useful in showing banks the necessity of fully protecting themselves by an instruction authorizing them to receive bank drafts in payment for checks deposited for collection. See Opinions 1305-1307 in the "Digest of Legal Opinions of Thomas B. Paton."

**BANKS WHICH ARE NOT MEMBERS OF
FEDERAL RESERVE SYSTEM CAN
CHARGE EXCHANGE ON REMIT-
TANCES AND REFUSAL TO RE-
MIT AT PAR DOES NOT
CONSTITUTE DIS-
HONOR—OREGON**

The Federal Reserve Bank of San Francisco has gone to the length of

endeavoring to coerce the Brookings State Bank, of Oregon, to accede to its demand that the latter bank agree to remit at par. Its purpose was obvious, from the fact that it maintained an agent at Brookings for practically a year at an expense to it of \$3,542, for collecting over the counter checks and drafts upon the Brookings Bank, knowing at the time that the procedure was embarrassing to the bank, and required it to maintain a much larger reserve in its coffers to take care of its current business, thus depriving the Bank of its ordinary earnings. The Federal Reserve Bank also adopted another method for making collection through the mail, namely, by sending checks and drafts drawn on the Brookings Bank direct to the bank, indorsed, "Pay to Brookings State Bank, for collection only and remittance in full, without deduction for exchange or collection charges."

The case brought up several questions, and the conclusions of the Court were as follows: (1) The Federal Reserve Bank has the option to collect from non clearing bank, if it can do so without paying exchange. (2) Non member banks can charge reasonable exchange on remittances. (3) Federal Reserve Bank cannot coerce non member banks to remit without exchange. (4) Non member bank is not required to remit at par and its return of the checks without payment as demanded was not tantamount to dishonor. *Brookings State Bank v. Federal Reserve Bank*, 281 Fed. 222.

**SAVINGS DEPOSITORS HAVE FIRST LIEN
ON ASSETS OF SAVINGS DEPART-
MENT OF INSOLVENT BANK AND
ALSO SHARE RATABLY IN
OTHER ASSETS—OREGON**

The State Bank of Portland, Oregon, which conducted commercial and savings departments became insolvent. About one-half the sum in the hands of the receiver was realized from the assets of the savings department and the remaining half from other assets of the bank. The receiver was about to declare and pay a dividend to each of the depositors, some of whom proved claims against both departments, and this suit was brought for the purpose of securing directions from the Circuit Court as to the proper distribution. Without going into details of the respective claims the Court held in brief that "The savings assets shall be applied exclusively to the satisfaction of the savings depositors and until their claims are paid in full savings depositors shall share ratably with commercial depositors in the distribution of all other assets and resources of the

bank." In other words if the savings depositor is not paid in full, the unpaid balance of his deposit is placed on a parity with all other deposits and entitled to a pro rata distribution.

In regard to the right of a depositor to set off his indebtedness to the defunct bank, it was held that such right exists in this case. The rule has been held otherwise in those cases where the savings bank was conducted by depositors upon the mutual plan, for the reason that the depositors all have a common interest in the invested savings funds and each is entitled to his proportionate share of the profits. *Upham v. Bramwell*, 209 Pac. 101.

NOTE: A case somewhat similar in principle to this was decided in Massachusetts. See *Petitions of Allen*, 136 N. E., 269.

**BURDEN OF PROVING PAYMENT OF DEPOSIT
RESTS ON BANK—TEXAS.**

Lillie Farrington had on deposit with her bank \$6,182. She alleged that she drew out and received from the bank on various checks \$5,682, leaving a balance of \$500, for which she seeks recovery. The bank claims non-liability on the ground that the \$500 was withdrawn by her on her check for that sum payable to L. E. Smith.

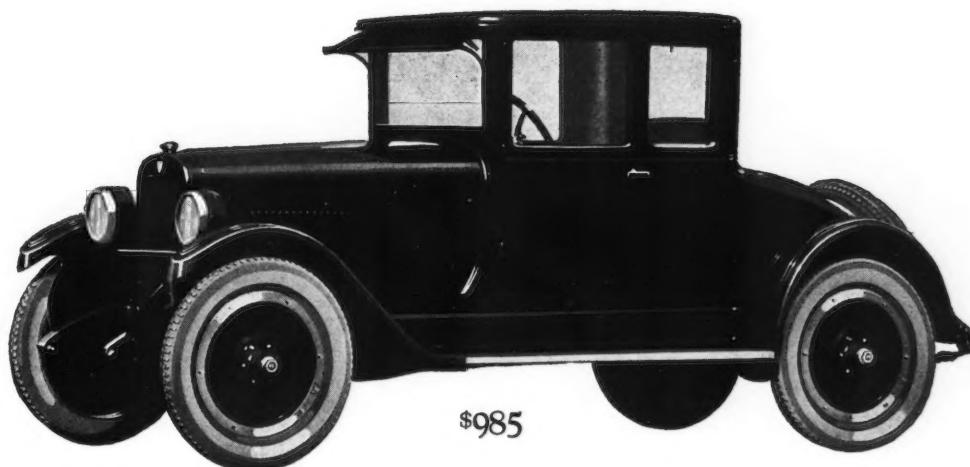
The court placed the burden of proof upon the defendant and the case was submitted to the jury to decide (1) whether or not the check in evidence bore the genuine signature of Lillie Farrington and (2) whether at the time the check was cashed Lillie Farrington was present and identified the payee.

On the question of proof, it was decided that the burden was properly placed upon the bank to prove payment. *City National Bank of Commerce v. Farrington*, 243 S. W. 544.

**WHETHER ANOTHER BANK SHOULD BE
ALLOWED IN COMMUNITY, NOT FOR
COURTS—SOUTH DAKOTA.**

The plaintiffs are stockholders in the only two banks which have continued in business for twenty years in Centerville, South Dakota. They brought an action to restrain the Bank Superintendent from admitting a third bank on the ground that the existing banks have supplied adequate banking facilities to the citizens and the establishment of a third bank would result in great damage to the third bank.

The court held that, whether another bank should be allowed in a particular banking community, even if not within the Banking Department's discretion, should not be controlled by the courts unless there is an abuse of the Department's discretion. *In re Mee*, 189 N. W. 675.



\$985

Outselling because of the comfortable, reliable, low-cost transportation it gives, day in and day out. Outselling because sheer beauty, fine manufacturing and deep-down goodness clearly entitle it to outsell.

Cord tires, non-skid front and rear; disc steel wheels, demountable at rim and at hub; drum type lamps; Alemite lubrication; motor-driven electric horn; unusually long springs; new type water-tight windshield. Prices F. O. B. Detroit, revenue tax to be added: Touring Car, \$885; Roadster, \$885; Club Coupe, \$985; Four-Passenger Coupe, \$1235; Sedan, \$1335

MAXWELL MOTOR CORPORATION, DETROIT, MICH.
MAXWELL MOTOR CO. OF CANADA LTD., WINDSOR, ONT.

The Good
MAXWELL

When writing to advertisers please mention the "Journal of the American Bankers Association."

**BANK HAS RIGHT OF SET OFF WHERE
DEPOSITOR DIES INSOLVENT—
CALIFORNIA.**

A depositor of a bank died insolvent, leaving a deposit to his credit of \$360.33. The bank at the time held a note of the decedent in the sum of \$5000 which had not yet matured, and wishes to set-off this debt against the insolvent estate. The court deciding this question for the first time in California held that the bank had such right of set-off even though the debt was not due. *Pendleton v. Hellman Commercial Trust & Savings Bank*, 208 Pac. 702.

**PROTEST FILED WITH STATE BANKING
BOARD QUESTIONING INTEGRITY OF
APPLICANT FOR CHARTER PRIVI-
LEGE NOT LIBELOUS REGARD-
LESS OF INTENT WITH
WHICH FILED—NE-
BRASKA.**

The plaintiff, formerly commissioner of public lands and buildings of Nebraska, was one of the promoters and organizers of the State Bank of Scott's Bluff. He and others had filed an application with the Banking Board for a charter for the bank. His good reputation for fair dealing, which was generally known, was of great value in his business.

The defendant, who was a man of great wealth and influence in the neighborhood, filed a protest with the Banking Board in the following alleged false and libelous language: "The protestant (defendant) questions the integrity of G. L. Shumway, (plaintiff), while he held the office of the Commissioner of Public Lands and Buildings of the State of Nebraska, in connection with the potash industry," etc. It is alleged that the matter published was known by the defendant to be false, that he was actuated by malice, hatred and ill will, and that his purpose was to prevent the plaintiff from obtaining a charter. This protest was circulated by the public press and given wide publicity, and the plaintiff brought suit to recover \$50,000 as damages to his good name and reputation.

The defendant's demurrer admits the truth of the plaintiff's allegations, and defendant claims that he is protected by the rule of absolute privilege.

The court decided in favor of the defendant, saying that "The integrity and responsibility of the plaintiff being matters of pertinent inquiry by the Banking Board, the issue raised by the defendant's protest is relevant and material to the inquiry," and that the protest was absolutely privileged insofar as the proceedings of the Board were concerned. The defendant could not be regarded as a stranger to the proceedings, and could not be denied the privileges and immunities granted a party litigant. Where his protest is relevant and material to the issue, it matters not what his motive is. *Shumway v. Warlick*, 189 N. W. 301.

**CASHIER'S APPROPRIATIONS OF DIFFERENT
AMOUNTS ON DIFFERENT DATES HELD
SEPARATE OFFENSES—TEXAS.**

One Miller, a cashier, was tried and convicted of embezzlement of funds which he had received during the course of his employment. In one case the charge was that on October 15, 1918, he embezzled \$400, in the other that on December 16, 1918, he embezzled \$750. In the present case he is charged with embezzling \$200 on August 29, 1918, and the defendant files a plea of former jeopardy. It was argued in behalf of the defendant that the appropriation by this defendant at different times and of different sums of money belonging to his employer constituted a continuous offense, that the employment was continuous and each appropriation was in pursuance of a continuous intention on the part of defendant to appropriate some part of the moneys of his employer that came into his hands each week or each month.

The court held that the plea of jeopardy would not lie, saying: "Whether appellant made up his mind on three several days to appropriate the three several amounts referred to in the instant case, and the other two mentioned in his plea of jeopardy, or whether he had previously made up his mind to abstract from such moneys as came into his hands varying sums on different dates, would not seem to us to affect the fact that each sum appropriated was in law a separate embezzlement, and punishable as such." *Miller v. State*, 242 S. W., 1040.

**BANK HELD NOT LIABLE FOR ARREST OF
DRAWER OF CHECK WRONGFULLY
DISHONORED—CALIFORNIA**

Tempest Bearden drew a good check, payment of which was wrongfully refused by the Bank of Italy. The plaintiff claims that, as the result of the wrongful refusal she was, at the instance of the payee, arrested and put in jail for drawing a bad check, and now brings an action against the bank for \$25,000 damages. The payee had informed the bank that the plaintiff would be arrested if the check was not paid. It was also pointed out that such a consequence might follow the refusal, since the issuance of a check upon a bank without funds or credit to meet it is a public offense which notoriously frequently results in the arrest and imprisonment of the drawer of the check.

The Court held that the plaintiff could not recover for the reason that the wrongful refusal to honor the check was not the proximate cause of the arrest. It did not necessarily follow that the plaintiff would be arrested and charged with a felony because of the bank's act. The arrest was caused by an independent human agency, and was an intervening and separate cause for which the bank was not liable. *Bearden v. Bank of Italy*, 207 Pac. 270.

**CHRISTMAS CLUB DEPOSITS HELD TO BE
TREATED AS SAVINGS DEPOSITS—
MASSACHUSETTS**

\$188,201.60 cash standing to the credit of the Christmas Club had been credited on the books in the Commercial Department of the Hanover Trust Co., of Boston, bankrupt. By court decree, it was ordered that these deposits be transferred to the savings department. The Court declared that they were savings deposits and bound to be treated as such in the liquidation of the company. Yet "they are not a special fund belonging to that department to be distributed to the Christmas Club depositors alone, giving to them preference over other depositors in that department." *In Re Hanover Trust Co.*, 136 N. E. 112.

**TENDER OF CHECK GOOD UNLESS OBJEC-
TION MADE—OKLAHOMA.**

A check was given in payment for rental of oil property. The landlord accepted it without objection and made no effort to ascertain whether it would be paid on presentation. He seeks to terminate lease on the ground of non-payment. The court said: "It is ordinarily required of one to whom payment is offered in the form of a check, that he make his objection at the time to the offer of a check to this manner of payment. Payment by check or similar bank paper has become so generally recognized as acceptable in business transactions that the omission to make objection to the form of payment is regarded as a waiver of the right to demand payment in money. This is especially true where the offeror could readily obtain the money to tender it in time, if the person receiving the check had made objection in time." *Gaunt v. Alabama Bound Oil & Gas Co., Inc.*, et al., 281 Fed. 653.

**NOTES—NOTE WITH NO SPECIFIC DATE
STATED IS PAYABLE ON DEMAND—
NOTE SPECIFYING NO INTEREST
RATE BEARS THE LEGAL
RATE—NEW YORK.**

The following note was construed by the Appellate Division of the Supreme Court:

"On —, for value received, the undersigned hereby promises to pay to George Coffing Warner, or order, \$20,000, with interest at the rate of — per cent., per annum."

The court held that the failure to fill in these blanks is immaterial, because a note, which promises to pay without a specific date being stated, is payable on demand, and where it is payable with interest, with no rate specified, the legal rate of interest applies. The note was also held negotiable. *Chelsea Exchange Bank v. Roulstone et al.*, 195 N. Y. S., 419.



First National Bank

CAPITAL \$105,000—SURPLUS \$105,000

OFFICERS:
HARRY C. ROBERTS, President
FRED H. HEMMEL, Cashier
ERNEST C. ROE, Asst. Cashier

Princeton, Ill.

August 1, 1922.

Rand McNally Bankers Directory,
Chicago,
Ill.

Gentlemen:

I thank you for your letter of congratulations upon the occasion of my fiftieth anniversary with the First National Bank of Princeton.

It is with pleasure that I state that the RAND McNALLY BANKERS DIRECTORY is the "book I was brought up on" and that for over fifty years I have found the BANKERS BLUE BOOK accurate, reliable and complete, and in my opinion IT IS THE BEST BANK DIRECTORY NOW PUBLISHED, or ever published during my half century's experience in the banking business.

Wishing your publication its merited continued success, I am

Yours very truly,

H. C. Roberts
H. C.



UP-TO-DATE, progressive banks throughout the United States use the RAND McNALLY BANKERS DIRECTORY as a daily help to efficient service. For a half century it has been the standard book of its kind—complete, accurate, and comprehensive.

Practically all of our subscribers show their appreciation by renewing from year to year, proving the BLUE BOOK to be entirely satisfactory, and we certainly are trying to make it more so with every issue.

The next issue—January 1923—is now being compiled. If your subscription has not been sent to us see to it that you are recorded as a subscriber, as only sufficient books are published to fill orders received prior to printing.

The BLUE BOOK is in constant service in eighty per cent of the banks of the United States. It has four times the circulation of any similar publication—the largest bank circulation in the world.

RAND McNALLY & COMPANY

Largest Publishers of Banking Publications in the World
536 S. CLARK STREET CHICAGO

H. C. ROBERTS WITH NATIONAL BANK 50 YEARS AS OFFICER

Golden Anniversary of Princeton Bank President to Be Celebrated Saturday Night with Banquet.

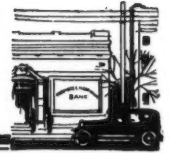
STARTS AS BOOKKEEPER

Devotion to Duty and Tireless Energy Win Place for Mr. Roberts as Head of One of County's Leading Financial Enterprises—Dean of Bankers' Federation.

In celebration of the 50th anniversary of the connection of President Harry C. Roberts with the First National bank, the directors of that institution have arranged for a banquet at the First Methodist church on Saturday evening to which the presidents, cashiers and assistant cashiers of the bank in the area will be invited. It is given in honor of Mr. Roberts.



STATE BANK DIVISION



Form of Contract For Co-operatives

THE State Bank Division of the American Bankers Association, in cooperation with the Association Commission, has undertaken to participate in the extension of cooperative marketing of farm products.

"Legal Phases of Cooperative Associations" are considered in Bulletin No. 1106, issued by the United States Department of Agriculture. The bulletin was prepared by L. S. Hulbert, Assistant in Cooperative Marketing, Bureau of Economics. Copies may be obtained from the Superintendent of Documents of the Government Printing Office at Washington for fifteen cents each. A form of contract between cooperative associations and their members is suggested, with the understanding that such form is to be modified in accordance with the legal requirements of respective States and circumstances peculiar to any cooperative association organized. The suggested form of contract is as follows:

THE COOPERATIVE ASSOCIATION
STANDARD FORM OF CROP CONTRACT
THIS AGREEMENT, made and entered into at on this day of A. D. 19...., between the Association, formed under the laws of the State of having its principal place of business at in the said State (hereinafter referred to as the association), and a grower of (fruit and vegetables) of county of State of (hereinafter referred to as the grower), witnesseth:

That for and in consideration of the expenses to be incurred by the association in providing means and facilities for handling, storing, and marketing (fruits and vegetables), including the expense of locating, organizing, and establishing markets, and in further consideration of the mutual obligations and promises of the respective parties hereto, it is hereby agreed as follows:

1. That the grower appoints said association his agent, and the association hereby agrees to act as such for the purpose of handling, packing, storing, and marketing all the (fruits and vegetables) which shall be grown for shipment and sale by the grower or for him, whether as landlord or tenant or otherwise, in the county of State of and that he will harvest and will deliver all his marketable (fruits and vegetables) at the association's shipping station at in said State, in such quantities and conditions and at such times as the rules fixed by the board of directors of the association may direct, during the year 19...., and every year thereafter continually. On or before (April 1) of each year the grower shall report to the association the acreage to be grown by him during that year of (fruits and vegetables) covered by this contract. During the growing season the grower shall also furnish such information concerning said (fruits and vegetables) as may be requested by the manager.

2. That either party may cancel this contract on the first day of (April) of any year by giving notice in writing to that effect to the other party at least thirty (30) days prior to said date. Upon such notice the grower shall, prior to said first day of (April), pay or satisfactorily secure any indebtedness then due from him to the association and deliver his copy of said contract to the association; such cancellation shall not affect any incomplete sales or transactions between the parties hereto, nor

release either from any indebtedness then unpaid or thereafter accruing under this contract, nor relieve the grower from his obligation to sell through the association, nor the association of its obligation to handle all the (fruits and vegetables) described in section 1 which were grown during the preceding season. It is expressly agreed that this contract shall be binding upon the legal representatives of the grower.

3. That harvesting, grading, inspecting, packing, storing, and shipping of the (fruits and vegetables) shall be done in accordance with the by-laws and rules of the association.

4. That all (fruits and vegetables) delivered by the grower may be marketed in assorted lots or with other (fruits and vegetables) of like quality, variety, and grade, and the net proceeds of any or all of such shipments may be prorated during such period or periods as the board of directors from time to time may determine.

5. That the association shall have a lien upon the (fruits and vegetables) hereby contracted by the grower to be delivered to the association for any indebtedness of any kind owing by him to the association, and any such indebtedness shall be deducted out of the net proceeds of the sale of such (fruits and vegetables).

6. That the grower will not sell or otherwise dispose of his (fruits and vegetables) covered by this contract to any purchaser except through the association unless such (fruits and vegetables) have been rejected by the association. In case the grower is offered a price in excess of the price presently obtainable by the association he may submit such offer to the manager. If deemed advisable the manager may authorize the member to accept the offer, but payment for the product shall be made to the association.

7. That the (fruits and vegetables) covered by this contract shall be marketed by the association wherever a market may be found which in its judgment and in accordance with its by-laws and rules shall justify such marketing. The association shall not be liable for any damage that may be sustained through act of God or public enemy, or accidents in shipment or storage, or unavoidable failure to secure suitable storage or markets for the proper handling and storing and marketing of said (fruits and vegetables). Any loss occasioned by the grower shall be borne by him.

8. That the grower will pay the association its regular charges for its services, including handling, storing, shipping, and marketing, which charges are to be fixed by the board of directors of the association, and which shall be in amount sufficient to pay all expenses of rendering such service, including the overhead expenses of the association. The grower gives the association the right to deduct the amount necessary to cover such charges from the returns received from his (fruits and vegetables).

9. Any member who fails or refuses to deliver his (fruits and vegetables) to the association in accordance with this agreement shall pay to the association the sum of for each of not delivered by him to compensate the association for its expenditures in providing and maintaining for him the machinery, equipment, facilities, personal service, and information necessary to market his crop. And, in addition thereto, the grower shall be liable to the association for all damages suffered by it as a result of the breach of contract. This contract contemplates the delivery of the (fruits and vegetables) covered thereby, and not the payment of compensation in lieu thereof.

10. That the association shall have the power to borrow money in its name and on its own account on the (fruits and vegetables) consigned to it, products manufactured therefrom, or on any accounts of the sale thereof, or any drafts, bills of lading, bills of exchange, notes,

acceptances, or any commercial paper held by it, and to pledge in its own name and on its own account drafts, bills of lading, bills of exchange, notes, acceptances, or any commercial paper as collateral.

11. That there are no oral or any other conditions, promises, covenants, representations, or inducements in addition to, or at variance with any terms hereof, and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

IN WITNESS WHEREOF the said parties have executed this contract in duplicate.

Division Committees

President H. A. McCauley of the State Bank Division of the American Bankers Association has announced the appointment of committees as follows:

State Legislative Committee: D. M. Armstrong, Vice-President Commercial Trust & Savings Bank, Memphis, Tenn., Chairman; J. A. Ormond, Cashier Citizens State Bank, Marianna, Florida; C. B. Hazlewood, Vice-President Union Trust Company, Chicago, Illinois; Wm. B. Hughes, Secretary Nebraska Bankers Association, Omaha, Nebraska; E. D. Huxford, President Cherokee State Bank, Cherokee, Iowa.

Federal Legislative Committee: C. S. McCain, Vice-President Bankers Trust Company, Little Rock, Ark., Chairman; Geo. A. Holderness, Chairman of Board, Farmers Banking & Trust Company, Tarboro, N. C.; N. S. Calhoun, Vice-President Bank of Maysville, Maysville, Kentucky; Wm. P. Sharer, President Midland Bank, Cleveland, Ohio; F. G. Addison, Jr., Secretary District of Columbia Bankers Association, Washington, D. C.

Farm Finance Committee: W. C. Gordon, President Farmers Savings Bank, Marshall, Missouri, Chairman; Grant McPherrin, President Central State Bank, Des Moines, Iowa; M. H. Malott, President Citizens Bank, Abilene, Kansas; H. A. Mochlenpach, Director Citizens Bank, Clinton, Wisconsin; Wm. Wayman, President Emporia State Bank, Emporia, Kansas.

Public Service Committee: R. S. Hecht, President Hibernia Bank & Trust Company, New Orleans, La., Chairman; Burton M. Smith, President Bank of North Lake, North Lake, Wisconsin; Jerome Thralls, Vice-President Discount Corporation of New York, New York, N. Y.; J. R. Kraus, Vice-President Union Trust Company, Cleveland, Ohio; Guy E. Bowerman, Vice-President Fremont County Bank, Sugar City, Idaho.

Committee on Exchange: Chas. de B. Claiborne, Director Whitney-Central

Trust and Savings Bank, New Orleans, Chairman; J. W. Hoopes, Vice-President Central State Bank, Dallas, Texas; C. C. Vaughan, Jr., Cashier Vaughan & Company, Franklin, Virginia; L. C. Humes, Vice-President Guaranty Bank & Trust Company, Memphis, Tennessee.

Heads of State Banking Depts.

Alabama—H. H. Montgomery, Superintendent of Banking, Montgomery.

Arizona—Doane Merrill, Superintendent of Banks, Phoenix.

Arkansas—Chas. McKee, Commissioner of Banking, Little Rock.

California—Jonathan S. Dodge, Superintendent of Banks, San Francisco.

Colorado—Grant McFerson, State Bank Commissioner, Denver.

Connecticut—John B. Byrne, Bank Commissioner, Hartford.

Delaware—George L. Medill, State Bank Commissioner, Dover.

Florida—Ernest Amos, Comptroller, Tallahassee.

Georgia—T. R. Bennett, Superintendent of Banks, Atlanta.

Idaho—J. G. Fralick, Commissioner of the Department of Commerce and Industry, Boise.

Illinois—Andrew Russel, Auditor of Public Accounts, Springfield.

Indiana—Charles W. Camp, Bank Commissioner, Indianapolis.

Iowa—W. J. Murray, Superintendent of Banks, Des Moines.

Kansas—F. H. Foster, Bank Commissioner, Topeka.

Kentucky—James P. Lewis, Commissioner of the Department of Banking and Securities, Frankfort.

Louisiana—L. E. Thomas, Examiner of State Banks, Shreveport.

Maine—Fred. F. Lawrence, Bank Commissioner, Augusta.

Maryland—George W. Page, Bank Commissioner, Baltimore.

Massachusetts—Joseph C. Allen, Commissioner of the Department of Banking and Insurance, Boston.

Michigan—Hugh A. McPherson, Commissioner of Banking, Lansing.

Minnesota—Russell B. Rathbun, Superintendent of Banks, St. Paul.

Mississippi—E. F. Anderson, Chairman of the Board of Examiners, Clinton.

Missouri—J. G. Hughes, Banking Commissioner, Jefferson City.

Montana—L. Q. Skelton, Superintendent of Banks, Helena.

Nebraska—J. E. Hart, Secretary of the Department of Trade and Commerce, Lincoln.

Nevada—Gilbert C. Ross, State Bank Examiner, Carson City.

New Hampshire—James O. Lyford, Chairman of the Board of Bank Commissioners, Concord.

New Jersey—Wm. L. Tuttle, Jr., Commissioner of Banking and Insurance, Trenton.

New Mexico—J. B. Read, State Bank Examiner, Santa Fe.

New York—George V. McLaughlin, Superintendent of Banks, Albany.

North Carolina—Clarence Latham, State Bank Examiner, Raleigh.

North Dakota—Gilbert Semingson, State Examiner, Bismarck.

Ohio—H. E. Scott, Superintendent of Banks, Columbus.

Oklahoma—Roy Wolcott, Bank Commissioner, Oklahoma City.

Oregon—Frank C. Bramwell, Superintendent of Banks, Salem.

Pennsylvania—Peter G. Cameron, Banking Commissioner, Harrisburg.

Rhode Island—George H. Newhall, Bank Commissioner, Providence.

South Carolina—W. W. Bradley, State Bank Examiner, Columbia.

South Dakota—John Hirning, Superintendent of Banks, Pierre.

Tennessee—S. S. McConnell, Superintendent of Banks, Nashville.

Texas—J. L. Chapman, Commissioner of Insurance and Banking, Austin.

Utah—Seth Pixton, Bank Commissioner, Salt Lake City.

Vermont—George B. Carpenter, Commissioner of Banking, Montpelier.

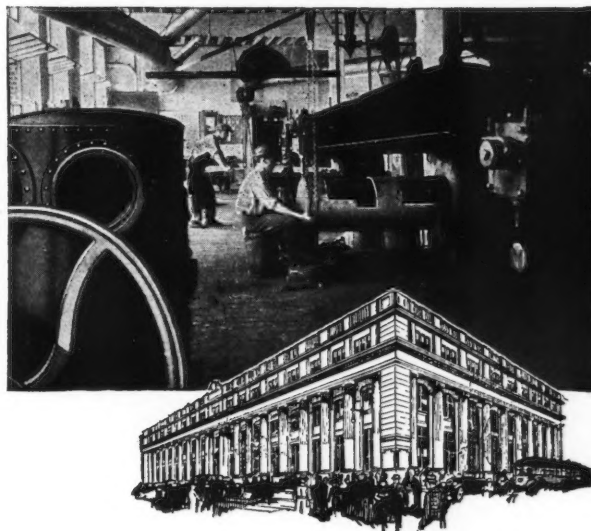
Virginia—F. B. Richardson, Chief Examiner of Banks, Richmond.

Washington—John P. Duke, Supervisor of Banking, Olympia.

West Virginia—Joseph S. Hill, Commissioner of Banking, Charleston.

Wisconsin—Marshall Cousins, Commissioner of Banking, Madison.

Wyoming—R. J. Hofmann, State Examiner, Cheyenne.



Steel Furnaces Made in St. Louis

ST. LOUIS is today the world's biggest market for steel furnaces. The production of these essential household articles on a vast scale has helped give St. Louis its present prominence as an industrial center.

¶ In a like manner the Mercantile Trust Company is contributing financial prestige to St. Louis by rendering essential banking service to thousands of firms and individuals in all parts of the United States, through its nine highly specialized, ably managed departments:

Banking
Bond
Corporation

Real Estate Loan
Real Estate
Public Relations

Safe Deposit
Savings
Trust

Mercantile Trust Company

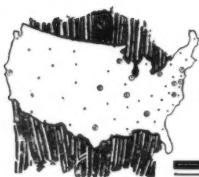
Member Federal
Reserve System
EIGHTH AND LOCUST



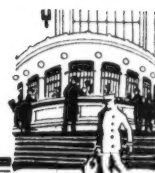
U.S. Government
Supervision
—TO ST. CHARLES

SAINT LOUIS

Capital and Surplus \$10,000,000



CLEARING HOUSE SECTION



Service Charges for Unprofitable Accounts

THE following notice has been sent to the depositors of all member banks of the New Orleans Clearing House Association regarding the service charge which will be made against all unprofitable accounts.

"All of the banks of the New Orleans Clearing House Association have found that every account which carries an average balance of less than \$100 is handled at an actual loss. For this reason the New Orleans banks have found it necessary to adopt the practice in effect in many other cities and make a small charge on such accounts. All the banks, therefore, have adopted the following rule:

"A service charge of 50 cents per month will be made for handling the checking account of any individual, firm or corporation whose account shows an average daily balance of less than \$100. Balances will be figured from the 27th of one month through the 26th of the month following, and the service charge, if any, will be debited to the account and charge ticket for same will be included with cancelled checks for the month current.

"This charge will not apply to any account against which no check is drawn during the month, nor is it applicable to any savings account.

"On September 27 this will become effective, so that any account subject to check which between that date and October 26 has not shown an average balance of \$100 will be charged with 50 cents on October 26 if any checks have been drawn against it."

We believe the day is not far distant when the clearing house committee of every clearing house association in the country will seriously consider what the New Orleans Clearing House Association and other associations have done during the past few years.

Standard for Bank Check and Draft

The time of the year is approaching when many banks will place orders for a new supply of checks and drafts. At this particular time we want to again bring to your attention the standardized forms which have been recommended by the Clearing House Section and the State Secretaries Section, and urge all member banks to adopt the sizes suggested.

Bank Drafts, Certificates of Deposit,

Cashiers' Checks, Trade Acceptance and Voucher Checks (when folded) $8\frac{3}{4} \times 3\frac{3}{8}$ inches.

Customers' Checks $8\frac{1}{4} \times 3\frac{1}{16}$ inches, except that special checks requiring voucher panels, outlook ovals, etc., which cannot be made on this size, may be made the same size as bank drafts, but in no instance to exceed $8\frac{3}{4} \times 3\frac{3}{8}$ inches.

Pocket checks $6 \times 2\frac{5}{8}$ inches, with no exception.

It is understood that the check and draft stubs may be made in such convenient size as will not cause waste in cutting from standard sheets of paper stock.

Operation of a Successful County Clearing House

This organization, like all other clearing houses, was born of necessity. Lancaster, Pa., with ten banks and trust companies, and Lancaster County, with forty banks outside the city, had outgrown the then existing customs, and felt the necessity for something better. It was apparent that with each of the ten banks in the city keeping up daily correspondence with practically every bank in the county, and with each rural bank corresponding with nearly if not all of the city banks and many throughout the county, there must be some better method through the Lancaster Clearing House Association, whereby labor, postage and annoyance could be reduced.

About sixteen years ago (1906) the representatives of the Lancaster Clearing House Association called a meeting of representatives from each bank in the county and presented the matter for consideration. They presented it in a spirit of fairness and to show good faith, proposed a committee of eight, three from the city and five from the county, who should prepare a plan of operation and agreed to abide by their action, at least until the plan had demonstrated itself a success or failure.

The committee met and in two hours time had prepared a plan of operation that was not only workable but so highly satisfactory that it has not been revised, added to, or taken from, to this day.

As to plan: the ten city banks were arranged in order of their resources, and each was required to take over the clearing for a certain number of country banks located in the County. The average number would have been four, but the arrangement assigned five or six to the largest banks and two or three to some of the smaller ones. Then the

country banks were asked to present first, second and third choice for the bank that should represent them, but in case this feature should fail, the Lancaster Clearing House Association had power to assign. With these arrangements completed, the workings are such that while one out of town bank had formerly ten correspondents in Lancaster City and several more in the county, it now has one correspondent and receives all checks coming to it in the course of business and drawn on any one of the fifty banks of Lancaster County.

This means that with but a single letter to a correspondent in Lancaster, the bank referred to is able to send through the clearing house on the following day, all checks received on any or all of the fifty banks constituting the association and have them at their destination on the second day, thus obviating the necessity of starting checks on an uncharted sea without the possibility of knowing their whereabouts or when they will reach their destination. At the same time, the representative in Lancaster honors and forwards all the checks drawn on the out-of-town bank that may be presented at the clearing house by the other nine members, including all checks received from their correspondents in Lancaster County. At the end of the day, any amount in excess of \$1,000 owing to the county bank's city correspondent or owing to county bank, is paid by draft. That is, should the county bank's books show that it owed \$2,600, the county bank encloses with its remittance a draft for \$2,000. Should the city correspondent's books show them in debt, the plan is the same. (They send us their check for \$2,000 with their remittance letter.) Settlements are made in full once a week to verify our accounts.

Aside from the advantages that come through the clearing of checks, these county associations have on more than one occasion been of the greatest advantage in getting the banks together for consultation and the further development of their community and county interest. At present a number of them in an endeavor to cooperate in a much broader way, have under consideration the installation of a county credit bureau as well as the country clearing house system of examination which is operating so successfully in many cities today. It is firmly believed it will be a matter of only a very short time when many of the smaller towns in this country through a county or group association will have their own credit bureau and employ an examiner, giving to the bankers in our country districts the same close supervision and safe-

A Well Rounded Service That Produces More Business for Your BANK

A specialized agency that can assist in the sort of salesmanship required to increase the business of your bank is the Bankers Service Corporation of New York.

Its recognition among bankers is based on fourteen years' successful service to large and small institutions from Maine to California.

Here are some of the important branches of its service—

Solicitation

Personal solicitation is the most economical way to get new savings deposits in quantity, because under this plan you get what you pay for and pay for only what you get.

Accounts placed by the Bankers Service Corporation have always shown a satisfactory initial deposit, and their subsequent development and mortality rate have always been more favorable to the bank than that of the average savings account.

Cultivation

The bank which gives its customers a steady sense of relationship to it is the bank that gets full value out of every account it secures. Unless you are cultivating your present customers, you are letting your most fertile field lie fallow.

The Bankers Service Corporation supplies cultivation material for customers in a highly efficient form. It talks increased bank use, not merely thrift. It says to all customers what the banker would say personally to each of them. It goes after results and gets them.

Developing Trust Business

The Bankers Service Corporation Campaign for Trust Relations shows the result of intensive study and long practice in solving Trust Department problems. Every item of this campaign is a readable and memorable piece of information on how to protect an estate. In connection with it is offered a comprehensive advisory service on mailing lists, cooperation by other departments, personal follow up, and individual solicitation.

New Business Service

The Bankers Service Corporation is prepared to give professional assistance in the organization or reorganization of a bank's New Business Department, including central customer file, mailing lists, solicitation plans, development of leads, cooperation by stockholders and directors, and employee training.

In the capacity of advertising agent, the Bankers Service Corporation takes responsibility for budget preparation, idea creation, copy writing, art supervision, and the production of finished matter.

The Bankers Service Corporation
19 and 21 Warren Street
New York City

OFFICERS

Carlisle H. Baldwin, Chairman of the Board	G. Prather Knapp, Vice-President
Robert B. Nisbet, Jr., President	Mark A. Hanna, Vice-President
Robert Greig, 1st Vice-President	J. V. Virgin, Asst. Secretary
Harry C. Graham, Vice-President	George F. Taylor, Treasurer
George J. Bailey, Vice-President	George T. Kimball, Asst. Treas.
Thomas L. Farrar, Vice-President	
W. A. Leonard, Vice-President	

Without obligation, please send us specimen campaign for Trusts, Savings Accounts, Commercial Accounts.

Bank.....
Officer.....
City.....

guards that the banks in many of our larger cities now enjoy.

For the information of all bankers in our country districts who are without such facilities as provided by a county clearing house association we urge you to communicate with the Secretary of the Section, who will be only too glad to cooperate in helping to bring about such a county organization as outlined above.

State Representatives

James Ringold, President of the Clearing House Section, has appointed the following to serve as state representatives of the Section for their respective states during the coming year:

Alabama—N. A. Vincentelli president, Capital National Bank, Montgomery.

This Advertisement appeared in Financial Publications in December, 1922



Bankers Invited

All over this broad land merchants, tradesmen and agents are, at an ever increasing rate, purchasing the products of the vast industries of the Great Lakes Region.

Bankers in distant cities are, as a result, being asked many questions about Detroit and Detroiters, Michigan and Michiganders, which they never before have been asked.

All such bankers are invited to correspond with this organization. Our close contact with the commercial activities of this district puts us in first position to serve you.

(Formerly First & Old Detroit National Bank)

FIRST NATIONAL BANK

DETROIT MICHIGAN

The First National Bank, the Central Savings Bank and the First National Company of Detroit, are under one ownership.

Arizona—A. T. Esgate, cashier, Valley Bank, Phoenix.

Arkansas—W. E. Lenon, president, Peoples Savings Bank, Little Rock, Ark.

California—V. H. Rossetti, vice-president, Farmers and Merchants National Bank, Los Angeles.

Colorado—B. F. Bates, cashier, Denver National Bank, Denver.

Connecticut—F. L. Trowbridge, vice-president and cashier, First National Bank, New Haven.

Delaware—James P. Winchester, president, Wilmington Trust Co., Wilmington.

District of Columbia—Joshua Evans, Jr., vice-president, Riggs National Bank, Washington.

Florida—C. A. Faircloth, president, National City Bank, Tampa.

Georgia—George R. Donovan, vice-president, Atlanta National Bank, Atlanta.

Idaho—F. F. Johnson, president, Boise City National Bank, Boise City.

Illinois—Fred Crandall, vice-president, National City Bank, Chicago.

Indiana—G. H. Mueller, vice-president, Fletcher-American National Bank, Indianapolis.

Iowa—J. J. Large, president, First National Bank, Sioux City.

Kansas—George A. Guild, vice-president, Central National Bank, Topeka.

Kentucky—W. A. McDowell, president, Phoenix National Bank and Trust Co., Lexington.

Louisiana—Fred W. Ellsworth, vice-president, Hibernia Bank and Trust Co., New Orleans.

Maine—Edwin D. Holden, manager, Portland Clearing House Asso., Portland.

Maryland—M. M. Prentiss, vice-president, Merchants National Bank, Baltimore.

Massachusetts—L. D. Seaver, cashier, Old Colony Trust Company, Boston.

Michigan—C. R. Talbot, vice-president, National Bank of Commerce, Detroit.

Minnesota—J. S. Pomeroy, vice-president, First National Bank, Minneapolis.

Mississippi—George Williamson, vice-president, First National Bank, Vicksburg.

Missouri—G. G. Moore, cashier, New England National Bank, Kansas City.

Montana—T. A. Marlow, president, National Bank of Montana, Helena.

Nebraska—E. B. Stephenson, president, City National Bank, Lincoln.

Nevada—G. Wingfield, president, Reno National Bank, Reno.

New Hampshire—Carl H. Foster, cashier, First National Bank, Concord.

New Jersey—S. S. Marsh, vice-president and cashier, National Newark & Essex Banking Co., Newark.

New Mexico—C. S. White, vice-president, First National Bank, Albuquerque.

New York—W. E. Purdy, Assistant vice-president, Chase National Bank, New York.

North Carolina—J. Elwood Cox, president, Commercial National Bank, High Point.

North Dakota—H. W. Gearey, president, Merchants National Bank, Fargo.

Ohio—W. C. Carr, vice-president, Second National Bank, Toledo.

Oklahoma—R. P. Brewer, chairman of board, Exchange National Bank, Tulsa.

Oregon—Emery Olmstead, president, Northwestern National Bank, Portland.

Pennsylvania—Donald McCormick, president, Dauphin Deposit Trust Co., Harrisburg.

Rhode Island—Albert R. Plant, president, Blackstone Canal National Bank, Providence.

South Carolina—E. P. Grice, cashier, Peoples National Bank, Charleston.

South Dakota—J. B. Lambertson, cashier, Security National Bank, Sioux Falls.

Tennessee—L. C. Humes, vice-president, Guaranty Bank and Trust Co., Memphis.

Texas—Stewart D. Beckley, cashier, City National Bank, Dallas.

Utah—E. O. Howard, president, Walker Bros. Bankers, Salt Lake City.

Vermont—C. S. Cole, cashier, Allen National Bank, Fair Haven.

Virginia—John R. Kilby, vice-president, Virginia National Bank, Norfolk.

Washington—J. W. Spangler, president, Seattle National Bank, Seattle.

West Virginia—W. B. Irvine, vice-president, National Bank of West Virginia, Wheeling.

Wisconsin—E. H. Williams, cashier, Marine National Bank, Milwaukee.

Wyoming—A. D. Johnston, cashier, First National Bank, Cheyenne.

Whisky Checks Void

A check sued upon being part of the consideration for an illegal sale under the National Prohibition Act, it is void in the hands of the plaintiff who knew about the transaction and the purpose for which it was given. He cannot recover thereon. No cause of action can arise out of a transaction made illegal by statute. Where a statute prohibits altogether the sale of certain goods, not only the agreement for such a sale is invalid but if the sale is made in violation of law the agreed price cannot be recovered. *Adler v. Zimmerman, et al.*, 135 N. E., 840.

Business Changes

James A. Jackson, formerly an assistant vice-president has been elected a vice-president of The National City Bank of New York.

J. R. Kraus, vice-president and one of the executive managers of The Union Trust Company of this city, was elected to the presidency of the Cleveland Bankers' Club at the annual meeting of the organization, November 14. Other officers elected were: D. C. Wills, first vice-president; E. B. Greene, second vice-president; A. M. Corcoran, secretary; C. A. Paine, treasurer; C. O. Patch, executive committee and H. C. Robinson, executive committee. J. Arthur House presided at the meeting and among the speakers were Charles M. Schwab, of the Bethlehem Steel Corporation and Francis H. Sisson of the Guaranty Trust Company of New York.

Par Collection Referendum

Five hundred eighty-nine organizations affiliated with the Chamber of Commerce of the United States have considered the question: "Do you favor making Par-Remittance in payment of checks universal throughout the United States?"

The final count of the vote shows 179½ in favor and 72½ votes opposed. As the result of this vote the Chamber announces that it is committed in favor of par remittance. The organizations voting are situated in 45 states, the District of Columbia and Alaska.

A Complete Tax Service

In One Volume for \$10

Meets Fully the Needs of Every Banker

ROBERT H. MONTGOMERY has prepared each year since 1917 a manual of income tax procedure. In its six successive annual editions, thousands of corporations, lawyers, and accountants have come to recognize this work as the standard authority. Mr. Montgomery, Certified Public Accountant and Attorney-at-Law, is one of America's leading specialists on income tax matters. His manual for this year—revised and rewritten—will be published January 1st, allowing you ample time to consider every aspect of your tax. Every individual, every corporation, every fiduciary who must file a return needs the

Seventh Annual Edition of Montgomery's Income Tax Procedure—1923

If you have Montgomery, you need no other service. He gives you everything you need to know—all the information that is contained in any high-priced periodic service, and vastly more in the way of personal counsel and opinion.

His manual shows you exactly how to prepare every item of your return. It analyzes the legal problems you will encounter, and explains how to set up your accounts to secure correct values—an essential service which no other tax guide performs.

More Than a Technical Treatment— a Manual of Constructive Policy

in handling every item. Mr. Montgomery not only cites the law and Treasury regulations, but interprets and criticizes them. In the past, where he has differed with the official construction of the law, he has almost invariably been sustained by court decisions or by subsequent reversal of the rulings in question. *His counsel is your best protection.*

Interprets over 600 New Rulings

in the last year, more than 600 new rulings have been issued, scores of court decisions handed down, and many existing rulings modified. All this material has been digested and is presented with Mr. Montgomery's personal comments and suggestions. This is a manual of permanent reference value—complete and up to date in every respect.

Claims for Refunds on 1917 Returns Must be Filed by March, 1923

in order to receive consideration. If you contemplate any such claims, you need this manual's clear explanation of the procedure in making them. Forms of waiver and protest are included. 1800 pp. cloth binding.

This Work Sent on Approval

Fill out the attached coupon now, and, immediately on publication in January, a copy will be sent you postpaid on five days' approval. Orders will be filled in the order of their receipt, except that preference will be given those accompanied by the price in full—\$10, a small fraction of the cost of most services. (Advance payments will be refunded if the book is returned within 5 days.)

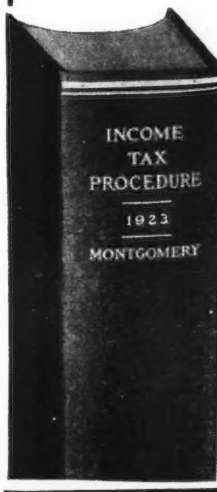
The Ronald Press Company
New York, N. Y.

Name _____
Business Address _____ (602)
Firm _____
Position _____

High Endorsements

Henry R. Towne, Yale & Towne Mfg. Co.: "The completeness of the book, both as to the law and as to court decision, and equally as to the proper mode of procedure in cases of all kinds, is most notable."

H. E. Abbey, Auditor, United Shoe Machinery Corporation: "So helpful that we have in years past purchased one or two extra copies, so that it might be more widely distributed and read."



THIS COUPON BRINGS THE WORK ON APPROVAL.

The Ronald Press Company
20 Vesey Street
New York, N. Y.

Send me postpaid on publication a copy of Montgomery's "Income Tax Procedure-1923". I enclose \$10 in payment, which you will refund if I return the book within 5 days (or) within 5 days of its receipt. I will send you \$10 or return the volume to you.

Loaning the Bank's Money

Speakers Suggestions Issued by Committee on
Public Education American Bankers Association

Copyright, 1922, by American Bankers Association

The word "Bank," wherever used, refers alike to trust companies, state banks and national banks—in short, to all banking institutions having a commercial department.

ONE of the most important services which the bank renders to the community is the loaning of money. You will recall, also, that through this function the bank earns money with which to pay interest on savings deposits, expenses, salaries of its officers and employees, and dividends to its stockholders. The extension of credit to those who need financial help is called the discounting function of the bank.

The Three C's of Credit

The banker bases credit on what are known as the three C's of credit—Character, Capacity, and Capital. Because of the importance of these in the lives of business men and women, it is essential that boys and girls know them. To be the kind of men and women who will succeed in life, it is necessary that character and capacity be developed conscientiously during school life.

Character is an imperative business qualification. It is not formed in a day. Character is developed through honesty and industry practiced daily. The boy or girl who cheats in class today—"putting one over on the teacher"—or who is dishonest in his dealings with his parents or friends, is stamping on his character marks of dishonesty which in later life will count against him and his success in business and in citizenship.

Allied with character is Capacity. Before making a loan, a banker takes into consideration, in addition to character, the capacity of the applicant—that is, his ability to earn through his honesty and his industry.

Capital is a man's worth in money, merchandise, stocks and bonds, or lands, which may be given as collateral to secure a loan or make it safe.

Today we shall consider some of the methods used by the bank in loaning money or extending credit. In all cases, a promise to pay must be entered into, in the form either of a note, or of some other credit instrument.

Let us again consider the business transactions of Mr. Smith, the storekeeper, who found it advisable to have a checking account at the bank. He now finds that his business is increasing, and that he needs a larger stock of goods. Also, some of his customers do not pay cash, and their accounts must be carried until "pay day." He realizes that he must have more money for his business, so he goes to his bank for advice.

The Customer's Statement

The banker asks Mr. Smith to submit a statement of his business, showing his assets (what he owns) and his liabilities (what he owes), just as in the case of the bank statement which we considered in the first talk. His assets show cash on hand and in the bank, notes and accounts receivable (that is, money owed to him by others), merchandise, building, fixtures, real estate, and possibly stocks and bonds. His liabilities will be accounts and notes payable (money due to others).

The banker will most probably ask Mr. Smith to submit such a statement at regular intervals, at least once a year, and thus he will know at all times just how Mr. Smith's business stands and what progress he is making. The banker knows the character and responsibility of Mr. Smith from his observation of Mr. Smith's dealings and from the confidence that people have in him.

THE LECTURES.

"Loaning the Bank's Money" is the November release in the series of lectures issued by the Committee on Publication as an aid to bankers in extending among students in public schools a knowledge of banking and economics.

The plan of the Committee is to have these lectures delivered in every community by a banker of that community. The plan offers an opportunity for a service of splendid possibilities in shaping the thought and stimulating the ambition of students. It also offers the banker an opportunity to build new foundations for business, and to get the benefit of banking discussion in the homes where it is sure to be brought up by those who have been interested in the subject in the schools.

Many bankers who have participated in this work during the last year have been not only pleased with their experience but enthusiastic over the field of service opened and have this year returned to the campaign with new zeal.

The boys and girls of every community are entitled to the benefits of these lectures, and fortunate indeed is the banker who takes it upon himself to give them in his town or city.

The banker finds Mr. Smith's character, statement, and the progress that he has been making, satisfactory, and is glad to consider the best method of loaning him the needed funds.

Methods of Loaning Money

Money is loaned by banks in the following ways:

(1) On a straight note, which means that a man's net worth and business standing are such that the bank will loan to him without security.

(2) On an endorsed note, which means that the banker desires, in addition to the responsibility of the maker of the note, the added responsibility of some person, in whom he has confidence, who will consent to indorse the note.

(3) On a collateral note, which means that the maker of the note pledges specific securities, such as stocks and bonds, or goods in warehouse or under bill of lading, or a lien or mortgage on land.

(4) On bills receivable, which means that the banker accepts for discount the bills receivable from his customer if these are made by responsible business men and if the customer is a responsible person.

(5) On trade acceptances, which means that the banker also discounts the trade acceptances of his responsible customers.

Definition of Note

A negotiable promissory note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand, or at a fixed or determinable future time, a certain sum in money to order or to bearer.

Straight Note

Mr. Smith is told by the banker that, because he makes a satisfactory statement, which means that he has a sufficient amount of money in his business and manages his business well, the bank will extend him a certain amount of credit without his putting up any security beyond his own word of honor, evidenced by his note. Let us say that, in order to buy a larger stock of goods, and to carry his customers who cannot pay cash, Mr. Smith needs a maximum amount of \$2500 during his busiest season, and that the bank has consented to grant him such a line of credit. This would mean that Mr. Smith could come to the bank and make out a note for any portion of this amount, or for all of it, for any time up to six months. To pay some bills he needs \$500. He estimates that within sixty days he will

receive from those who have had their purchases charged, enough money to re-pay this amount. He, therefore, makes a sixty-day note, which the banker discounts at the prevailing rate of interest, let us say 6 per cent. and places the proceeds to Mr. Smith's credit. How much does he credit to Mr. Smith's account? 6 per cent. on \$500 for sixty days equals \$5. This amount the banker deducts at the time the note is made, it being the interest which he charges Mr. Smith for the use of the money. He then credits Mr. Smith with the proceeds of the note, or \$495. When the note is due in sixty days, Mr. Smith has received payment from his customers, and he pays the bank \$500. The bank cancels the note, that is, marks it paid and returns it to Mr. Smith.

Endorsed Note

If Mr. Smith's statement to the banker were not sufficiently strong to warrant granting him a line of credit entirely unsecured, the banker might say to Mr. Smith, "You will have to get the indorsement of your friend, Mr. Jones." Should Mr. Jones, who is known to the banker as a very reliable and responsible business man, be willing to help Mr. Smith, he would be required to write his name on the back of Mr. Smith's note. Should Mr. Smith be unable to pay his note when it matures, that is, becomes due, Mr. Jones will have to pay. Mr. Jones' act in writing his name on the reverse side of the note has constituted a contract with the banker to pay Mr. Smith's note, if Mr. Smith does not pay it.

Collateral Note—Warehouse Receipts

In another case, the banker might say to Mr. Smith, "I shall be willing to loan you up to \$2500, but you must secure the loan with the goods which you purchase for that amount, and with some additional goods." Mr. Smith would be compelled so to warehouse the merchandise used as collateral that it might be easily identified through warehouse receipts as being the property of the bank until Mr. Smith's note was paid. If Mr. Smith finally found himself unable to pay his note, it would become the banker's privilege to sell the merchandise which had been warehoused and set aside as collateral, and to use the proceeds thereof to pay the note; in the event that the sale of the goods brought more than the amount of the note, the bank would pay the excess to Mr. Smith, or if the amount realized were insufficient to pay the note, the bank would look to Mr. Smith to pay the difference.

Collateral Note—Stocks and Bonds

In the event that stocks or bonds are used as collateral, the stocks or bonds themselves will be left with the bank, and the bank will be privileged to sell

them upon non-payment of the note when due, and to treat the proceeds just as in the case of the merchandise. All of us have seen bonds of the United States Government called Liberty Loan Bonds. We know also that there are bonds of the county, town, or city in which we live called municipal bonds. We know that the great railway systems of the country and great industries, like the United States Steel Corporation, borrow money by issuing bonds, secured largely by real estate, or other property used in their business, and payable in ten, twenty, thirty or more years, during which time the lender (the owner of the bond) is paid interest for the use of his money. Shares of stock of great industries and of local business concerns show that the stockholder is a part owner of the enterprise. For such securities there is a price at which they can be bought and sold, which is called the market value. Many persons own Liberty and other bonds and stocks. Many of you have invested in War Savings securities.

Collateral Note—Mortgages

Loans against farm lands are frequently made in country districts, and, from the standpoint of security, have many advantages. These loans are called mortgage loans.

If Mr. Smith's statement were such that the banker felt that he could not give him a line of credit on his straight note, and were Mr. Smith unable to procure a satisfactory indorser, or secure the loans with merchandise or stocks and bonds, yet had a farm free from debt, and of sufficient worth, he might give the banker a mortgage on his farm as security. This would mean that he would give the banker the right to sell the farm in the event that he, Mr. Smith, did not pay his note.

The procedure in regard to loans on land is somewhat different, however, from that of loaning against stocks, and bonds, or merchandise. Whenever the banker sells collateral, he must be careful that the sale is of such a nature



Frank's CRUISE de LUXE
TO THE **Mediterranean**
(Limited to 450 Guests—About Half Capacity)
By Magnificent New
Cunard S. S. "SCYTHIA"
Specially Chartered
Twin-Screw Turbine Oil-Burner, 20,000 Tons
Sailing Jan. 30, 1923, returning April 2, visiting
EGYPT
Cairo, Nile; Madeira, Portugal, Lisbon; Spain, Cadiz, Seville; Gibraltar; Algiers, Tunis, Carthage; Holy Land, Jerusalem; Constantinople, Bosphorus; Greece, Athens; Italy, Naples, Pompeii; Sicily, Palermo; Riviera, Nice, Monte Carlo, etc.
The "Scythia" is a veritable floating palace, with spacious decks, lounges, veranda cafes, 2 elevators, commodious state-rooms with running water and large wardrobes; bedrooms and suites with private baths. The famous Cunard cuisine and service. (Only one sitting for meals.)
Free stop-over in Europe, returning via any Cunard Steamer from France or England at later date
Rates, deck plans, itinerary and full information on request
Early reservation advisable
Also De Luxe Tours to
Europe, South America, Japan, China, California, Honolulu, Bermuda, West Indies, etc.
FRANK TOURIST CO.
(Established 1875)
487 Fifth Avenue, New York
219 So. 15th St., Philadelphia





© 1922 HILLBERN THRIFT CORP.



HOW to make savings
depositors out of an
unprecedented proportion
of your population—the
most amazing savings sys-
tem in banking history—
is explained in this booklet,
just issued. Sent to any
bank executive on request.

Hillbern Thrift Corporation

CONTINENTAL AND COMMERCIAL BANK BUILDING

CHICAGO

that the borrower can never hold him for not having received enough for the collateral. Thus it is that sales of collateral are usually made in public after public notice of the sale has been given. But there are further legal requirements in the foreclosure of a mortgage. The law, realizing the useful place which the farm owner and the home owner occupy in our social scheme, protects each in a special manner when loans are made on his land. In the desire to protect him, the law says to the lender, "You must

give this owner of land one year (which is the usual time after serving notice upon him that you expect to sell his land), for the purpose of paying his mortgage and redeeming his debt." This period is called the period of redemption. Many city banks prefer not to make mortgage loans on the theory that a bank should have its money so loaned that it can be collected easily and readily on the date of maturity, rather than at the end of a long period of redemption. The security element, as you see, does

not enter into consideration here, since farm loans, when well made, are usually very secure. It is the lack of liquidity, or easy collectibility, which makes them undesirable bank collateral.

Bills Receivable

Mr. Smith has still another method open to him for obtaining funds from his banker. He has sold, let us say, a considerable bill of merchandise to a dealer in a smaller community, who wishes first to sell the goods to his customers before paying Mr. Smith. The bill of goods, which Mr. Smith has thus sold, amounts to \$500. Mr. Smith says to Mr. Brown, the dealer in the neighboring community, "If you cannot pay me cash, give me your ninety-day note for the amount of the bill of goods." This Mr. Brown consents to do. Mr. Smith then takes Mr. Brown's note to the bank, and asks the banker to give him credit for the note. As this note was taken by Mr. Smith from Mr. Brown as an accommodation to Mr. Brown, Mr. Smith says to Mr. Brown, "Because I am compelled to pay 6 per cent. interest to my banker to get the cash on your note, since you cannot pay cash, I shall want you to pay that interest." Mr. Brown, therefore, makes his ninety-day note for \$500 and interest at 6 per cent. This means that Mr. Brown will have to pay at the end of ninety days \$500 in principal and 6 per cent. interest, \$7.50, or a total of \$507.50. When Mr. Smith takes this note to the bank, the bank gives him credit for \$500. However, when the bank collects the note, it collects \$507.50, the \$7.50 being its charge for the use of the money.

Trade Acceptances

Mr. Smith might have taken from Mr. Brown a commercial instrument which is coming much into use today, and serves practically the same purpose as does the note. It is known as a Trade Acceptance. In evidence of the trade, that is, the sale of the merchandise by Mr. Smith to Mr. Brown, Mr. Brown accepts a draft drawn on him by Mr. Smith at the time the goods are shipped, and made for the time Mr. Brown feels that it will take him to sell the merchandise, and for the cost of the merchandise. This serves to acknowledge the trade in all of its conditions; that is, the acceptor, Mr. Brown, indicates by writing his name across the face of the draft that he has received the merchandise which he purchased, that it is satisfactory, and that he has agreed to pay for it in 90 days.

Bankers' Acceptances

The Banker's Acceptance, too, is a comparatively new instrument. It differs from the trade acceptance in the fact that Mr. Brown, who ultimately pays the \$500 for his purchase of merchandise, instead of accepting Mr. Smith's draft himself, arranges with his bank to do so; and when the period of ninety days has elapsed, by agreement made beforehand, he turns over to the

bank the funds to pay the acceptance. You will observe that the bank does not loan its funds in this case. The guarantee of the bank establishes the credit, for which Mr. Brown pays a small commission. The banker's acceptance is used mainly in large transactions and in foreign business.

Should People Borrow Money?

We have now outlined the main methods of making bank loans. Some people think that to incur a debt at the bank is in itself unwise, or a reflection on their business standing. Certainly this is not the case where the debt is contracted for legitimate business purposes. Incurring a debt so that one may live beyond one's income is something that no thrifty person would do. Careless use of credit leads to extravagance and disaster, but wise borrowing is an encouragement to thrift and industry. Oftentimes it is advisable to go into debt for goods or property, or to borrow money to make a profitable investment that would not otherwise be possible. Many a successful business man will tell you that his business was unprofitable until he borrowed money. The obligation itself made him put forth every effort to make the enterprise successful, and to save part of his income in order to pay the debt. The necessity for repayment made him more careful and energetic.

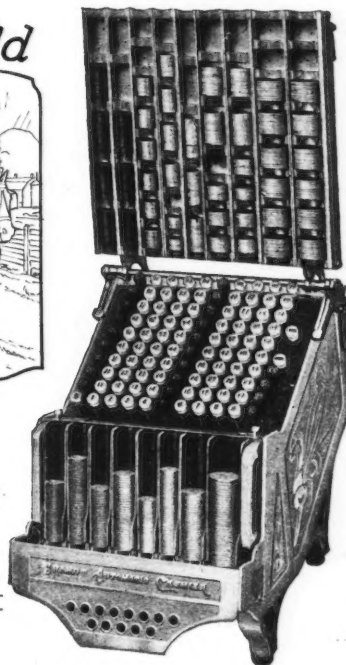
You will understand from previous Talks, that the first function of the banker is to encourage industry and thrift, so that a large fund of deposits may be accumulated. This fund is often likened to a reservoir in which water is accumulated for community needs. The banker then loans from this fund to those furthering the business of the community, so that wages may be paid which, when saved, create new deposits. We see, in these processes, the interdependence of all who constitute a community. First, through work we produce; then the sale of what is produced pays wages; the savings from these wages are lodged in the bank; the bank then uses these accumulated savings to loan further sums, so that we may continue to work and save.

Very few business men can so conduct their business affairs that at no time will they need to borrow money. Situations are constantly arising in which the help of the bank is required. How important it is that our personal conduct now, when we are building character and capacity, be such that in the conduct of our affairs later on, when striving for success in business and life, we shall merit the confidence and help of the bank.

The Old



Counting Money by
Head and Hand—
Worry Over Errors—
Time Wasted.



The New



Press One Key with One
Finger and Coins in Any
Amount Are Paid Instantly

What 250 Bankers Say About

The New Improved *Brandt Automatic Cashier* Standardized by Bankers Everywhere

In answer to a questionnaire sent to Banker owners of Brandt Automatic Cashiers, 250 have replied to date. They emphasize the following points of advantage in the Brandt.

"Time saved, Accuracy, Ease of Operation, Quicker Service to Customers, Simple—Nothing to Get Out of Order, Durability."

The Brandt Automatic Cashier is as far ahead of the old method as the automobile is ahead of the horse and buggy. Press a single button with one finger and the desired coins are paid instantly in any amount up to one dollar—no worry over errors—no time wasted in computing, counting and handling coins. Automatic locking device makes it fool proof.

Have your secretary mail the coupon today for your copy of booklet, "When Minutes Mean Dollars".

BRANDT AUTOMATIC CASHIER

Serving Bankers, Retailers, Paymasters

-----Brandt Manufacturing Company-----

Executive Office and Factory, Watertown, Wisconsin

Send copy of booklet, "When Minutes Mean Dollars"

Name.....

Bank.....

Address.....

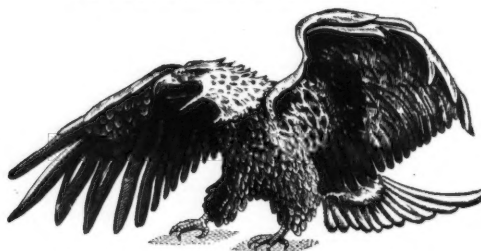
Membership Changes

REPORTED FROM OCTOBER 25, 1922, TO NOVEMBER 25, 1922, INCLUSIVE

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the Journal.

Arizona.....	Peoria.....	Exchange Bank of Peoria closed.	Minnesota.....	Minneapolis.....	Minnehaha State Bank consolidated with First National Bank and will be operated as First National Bank, Minnehaha Office.
California.....	Coalinga.....	American National Bank changed to First National Bank.			
	Kerman.....	First National Bank succeeded by Valley Bank.		Minneapolis.....	Exchange State Bank absorbed by Marquette Trust Co.
	Modesto.....	First National Bank succeeded by Valley Bank.		Windom.....	Farmers State Bank resumed.
Colorado.....	Georgetown.....	Bank of Clear Creek County purchased by Bank of Georgetown.	Missouri.....	Kansas City.....	Continental National Bank succeeded by Continental National Bank and Trust Co.
	Montrose.....	Home State Bank closed.		Norwood.....	Citizens Bank consolidated with Ryan Banking Co.
Connecticut.....	Waterbury.....	Citizens National Bank and Manufacturers National Bank merged as Citizens and Manufacturers National Bank.		Princeton.....	Farmers Bank succeeded by Farmers State Bank.
District of Columbia.....	Washington.....	American National Bank and Federal National Bank merged as Federal-American National Bank.		West Salem.....	Bank of West Salem sold to Farmers State Bank.
Florida.....	Fellsmere.....	State Bank in hands of receiver.	Montana.....	Belt.....	State Bank of Belt closed.
Indiana.....	Fremont.....	First State Bank, voluntary liquidation.		Ingomar.....	First National Bank closed.
	Crawfordsville.....	Union Trust Company in liquidation.		Broadview.....	Mutual State Bank closed.
Iowa.....	Bellevue.....	Bank of J. Kelso in hands of receiver.		Stockett.....	State Bank of Stockett in hands of receiver.
Kansas.....	Arrington.....	State Bank of Arrington in hands of receiver.	Nebraska.....	Alexandria.....	Farmers State Bank consolidated with State Bank of Alexandria.
	Burdick.....	Burdick State Bank merged with Farmers State Bank.		Milligan.....	Nebraska State Bank closed.
	Cunningham.....	Cunningham State Bank closed.	New Jersey.....	Paterson.....	Wm. H. McKenna & Co. bankrupt.
	Harper.....	Citizens State Bank closed.	New Mexico.....	Carlsbad.....	State National Bank closed.
	Wichita.....	Sunflower State Bank consolidated with Wichita State Bank.		Gallup.....	National Bank of Gallup changed to First National Bank in Gallup.
Louisiana.....	Oak Grove.....	First National Bank in hands of Banking Dept.	New York.....	Afton.....	Church & Hill closing up its business.
Michigan.....	Saginaw.....	Commercial National Bank succeeded by Second National Bank. West Side Office.		Falconer.....	Lavern W. Lazell & Co. Stockton, business taken over by First National Bank, Falconer.
				New York.....	Tilford and Gregory succeeded by C. W. Gregory and Co.

NO ORDER TOO LARGE AND NONE TOO SMALL
FOR OUR PAINSTAKING ATTENTION

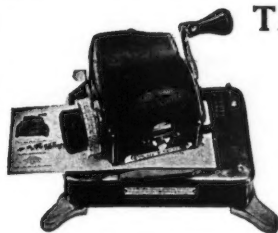


AMERICAN BANK SUPPLY CO.

OPERATED AND CONTROLLED BY
THORNTON-LEVEY CO.

BANK OUTFITTERS

THE AMERICAN BANK SUPPLY CO. WISHES EVERY BANKER IN THE UNITED STATES A
MERRY CHRISTMAS, A HAPPY NEW YEAR, AND A MOST PROSPEROUS 1923.



Equipped with Automatic
Self-Inking Device

THE SAFE-GUARD CHECK WRITER—100% PROTECTION

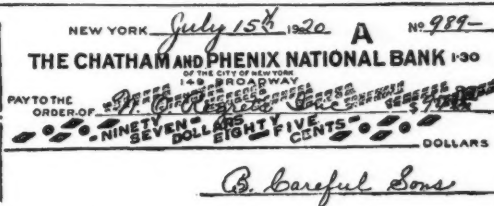
THIS IS THE ONLY MACHINE THAT

Will Protect ALL the
Essential Parts of Your
Check—The Paying Line
—The Payee's Name—
The Numerals—and Will
Prevent Dangerous Two-
Line Checks.

Write for further details regarding
this "Double Lock System" to

- THE SAFE-GUARD CHECK WRITER CO., Inc. - 3 BECKMAN ST.
NEW YORK CITY

B.CAREFUL SONS



Unless You Use This Double Lock System Your Bank Account is at the Mercy of the
Check Manipulator.

New York.....	First Joint Stock Land Bank of New York changed to New York & Pennsylvania Joint Stock Land Bank.
North Carolina..	Sanford..... Bank of Sanford taken over by Page Trust Company.
North Dakota...	Wimbledon..... Merchants National Bank closed.
Ohio.....	Stryker..... Exchange Bank of H. F. Bruns changed to State Exchange Bank.
Youngstown....	Central Bank and Trust Co. changed to Central Bank Company.
Oklahoma.....	Bokchito..... Bokchito State Bank succeeded by First National Bank.
Boynnton.....	Bank of Boynnton succeeded by American National Bank.
Broken Arrow..	Citizens National Bank consolidated with First National Bank.
Calumet.....	State Bank of Calumet succeeded by First National Bank.
Crowder.....	Bank of Crowder closed.
Eufala.....	Eufala National Bank taken over by State National Bank.
Hugo.....	First State Bank, Sawyer, taken over by City National Bank.
Idabel.....	American National Bank consolidated with First National Bank.
Muskogee.....	Security State Bank converted into Security National Bank.
Pershing.....	Security State Bank discontinued.
Richmond.....	Bank of Richmond closed.
Shawnee.....	Union State Bank merged with State National Bank.
South Carolina..	Bishopville..... Farmers Loan and Trust Co. liquidating.
Charleston.....	Citizens Bank in liquidation.
Charleston.....	Enterprise Bank in liquidation.
Sumter.....	Commercial Bank and Trust Co. merged with Sumter Trust Co.
Timmons ville...	Citizens Bank succeeded by Commercial and Savings Bank.
Texas.....	Baird..... Home National Bank succeeded by First Guaranty State Bank.
Tennessee.....	East Chattanooga Bank of East Chattanooga purchased by Hamilton Trust and Savings Bank, Chattanooga, and will be operated as Hamilton Trust and Savings Bank, Branch, East Chattanooga.
Utah.....	Ogden..... Ogden Savings Bank succeeded by First and Utah Savings Bank.
Washington.....	Conconully..... Commercial Bank closed.
Ephrata.....	Grant County Bank closed.
West Virginia...	Beckley..... Raleigh Banking and Trust Co. merged with Raleigh County Bank.
Wisconsin.....	Montfort..... Montfort State Bank in liquidation.
Wyoming.....	Frannie..... Bank of Frannie closed.

THE FIRST RULE OF A BANK:

"Never Cash Checks for Strangers!"
Observance of this simple precaution will greatly reduce your loss through bad check operators.

INSIST UPON PROPER IDENTIFICATION
See the Protective Section of *The Journal* each month for full information.

Protective Committee
AMERICAN BANKERS ASSOCIATION

When writing to advertisers please mention the "Journal of the American Bankers Association."



LITTLE GIANT BANK DIRECTOR

Striking, Enduring, Dignified, Cheap and Effective Advertising

A heavy semi-steel casting.
Sold to one bank only in any town or city.
They bring local, as well as tourist, business if erected at principal crossings, junctions at prominent points on highways entering your city. They also advertise the city in which you live.

They are furnished with any lettering desired. Can also be supplied for merchants or any other class of business.

LITTLE GIANT COMPANY

239 Rock St.

Established 1876

Mankato, Minn., U.S.A.

SPECIAL SERVICE CHARGES

form of Notice for the Convenience of Bankers

FAILURE TO RECEIVE PRESENTATION FEE ON UNPAID ITEMS AFTER SERVICE HAS BEEN RENDERED BY BANKS has caused the State Bank Division of the American Bankers Association (of which this bank is a member) to adopt the following Resolution relative to Collections and requests for Rating—it being the general opinion of bankers that "the laborer is worthy of his hire," and that banks should not be expected to perform these important duties without some remuneration:

RESOLVED, THAT COLLECTIONS AND REQUESTS FOR RATING will have our prompt attention PROVIDED same are accompanied by the following fee IN ADVANCE:

Collections..... 15 cts. each
Requests for rating, minimum fee..... 25 cts. each

Unless such fee accompanies requests for this service the item will be returned without presentation or attention. This rule does not apply to Drafts with Bills of Lading attached, or to Notes.

We return the attached and call your attention to our rule. Fees accompanying collections will be credited as part of regular exchange charge on collections made. In complying with request for rating, all statements will be made upon information which this bank believes to be reliable, but further than that it assumes no liability whatever.

Please keep for further reference.

Copies of the foregoing card may be obtained upon application to George E. Allen, Deputy Manager, State Bank Division, American Bankers Association, 5 Nassau Street, New York, N. Y. Price, postpaid, fifty cents for the first 250 copies, seventy-five cents for 500 copies, \$1.00 for 750 copies, \$1.25 for 1,000 copies. Please remit in New York exchange with your order.

Again—

We are enabled to improve and strengthen the positive protection which we furnish to thousands of banks with their checks, by adding

“Burns” Detective Protection

We are very proud to announce another added value to be furnished hereafter to every purchaser of Super-Safety Insured Checks, without charge. In addition to insurance in The Hartford Accident & Indemnity Company, and the deposit-building power of a large national advertising program, we have recently added a contract for protection by the William J. Burns International Detective Agency, Inc.



Insured in the
HARTFORD
against loss through
fraudulent or felonious alterations.

**SUPER-SAFETY
Insured
BANK-CHECKS**

Under the amount line of checks hereafter manufactured by this company will appear the following wording, “Insured against fraudulent alteration. Protected by the William J. Burns Int. Detective Agency, Inc.” This means that whenever a crook might consider the alteration of a Super-Safety Insured check he will immediately be reminded of the protective measures surrounding them. Naturally, crooks will prefer to operate on ordinary uninsured and unadvertised checks where there will not be so many agencies interested in the administration of justice to him.

It is another added protection for banks to have this notation appearing on their checks. Many banks have already appreciated the value of associating the Burns name with their institutions.

It is part of our policy to help banks keep crooks away from their doors. Super-Safety Insured checks have been singularly successful in this respect. Now, with this added protection, they will be even more so.

The Bankers Supply Company

The Largest Manufacturers of Bank Checks in the World

NEW YORK
ATLANTA

CHICAGO
DES MOINES

DENVER
SAN FRANCISCO

New Members

From October 26 to November 25, 1922, Inclusive

Arizona

First National Bank, Holbrook 91-144.

California

American Savings Bank, Long Beach 90-1001.

Merchants National Bank, Main & Washington Sts. Branch, Los Angeles 16-5.

Merchants National Bank, Seventh St. Branch, Los Angeles 16-5.

Pacific-Southwest Trust & Savings Bank, North Broadway, Branch, Los Angeles 16-54.

Pacific-Southwest Trust & Savings Bank, Washington & Burlington Branch, Los Angeles 16-54.

Pacific-Southwest Trust & Savings Bank, Washington & Figueroa Branch, Los Angeles 16-54.

Bank of Italy, Telegraph Ave. Branch, Oakland 90-7.

Pacific-Southwest Trust & Savings Bank, Oak Knoll Branch, Pasadena 90-66.

Pacific-Southwest Trust & Savings Bank, Wilmington 90-1026.

Indiana

Elkhart Commercial Finance Corp., Elkhart.

First National Bank, Winslow 71-958.

Massachusetts

Worcester Bank & Trust Co., Lincoln Square Branch, Worcester 53-1.

Worcester Bank & Trust Co., State Mutual Branch, Worcester 53-1.

Worcester Bank & Trust Co., Vernon Square Branch, Worcester 53-1.

Michigan

American State Bank, Kercheval & Eastlawn Branch, Detroit 9-58.

Minnesota

Mankato State Bank, Mankato 75-36.

Farmers State Bank, Windom 75-247.

Missouri

First National Bank, Cardwell 80-1691.

Twelfth Street Bank, Kansas City 18-120.

New Jersey

Bergen National Bank, Jersey City 55-51.

New York

Banco Di Roma, 1 Wall St., New York 1-334.

Bank of New York & Trust Co., Madison Ave. Branch, New York 1-1.

Capitol National Bank, New York 1-326.

North Dakota

Farmers Security Bank, Chaffee, 77-539.

First National Bank, Donnybrook 77-1070.

Ohio

Union Savings Bank & Trust Co., Spring Grove-Harrison Ave. Branch, Cincinnati 13-40.

Oklahoma

State Bank of Gracemont, Gracemont 86-763.

Pennsylvania

Farmers State Bank, Shickshinny 60-1624.

Rhode Island

Providence Institution for Sav., Providence 57-36.

South Carolina

Citizens Bank, Blacksburg 67-577.

Texas

State Bank & Trust Co., Dallas 32-66.

Mexican-American Commercial & Banking Co., Laredo 88-34.

Virginia

Peoples Bank & Trust Co., Chase City 68-529.

Broad St. Bank, Fulton Branch, Richmond 68-7.

Wisconsin

Union State Bank, Lancaster 79-277.

Canada

Bank of Montreal, Lethbridge, Alberta.

